

Form 990

(Rev. January 2020)

Department of the Treasury Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

Do not enter social security numbers on this form as it may be made public.

Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2019

A For the 2019 calendar year, or tax year beginning 07/01, 2019, and ending 06/30, 20 20

B Check if applicable: Address change, Name change, Initial return, Final return/terminated, Amended return, Application pending. C Name of organization: FREDERICK HEALTH HOSPITAL, INC. D Employer identification number: 52-0591612. E Telephone number: (240) 566-3000. G Gross receipts \$: 414,580,373. H(a) Is this a group return for subordinates? Yes X No. H(b) Are all subordinates included? Yes No. F Name and address of principal officer: THOMAS A. KLEINHANZL, 400 W 7TH STREET, FREDERICK, MD 21701.

I Tax-exempt status: X 501(c)(3) 501(c) () (insert no.) 4947(a)(1) or 527. J Website: WWW.FREDERICKHEALTH.ORG. K Form of organization: X Corporation. L Year of formation: 1897. M State of legal domicile: MD.

Summary

1 Briefly describe the organization's mission or most significant activities: TO POSITIVELY IMPACT THE WELL-BEING OF EVERY INDIVIDUAL IN OUR COMMUNITY. 2 Check this box if the organization discontinued its operations or disposed of more than 25% of its net assets. 3 Number of voting members of the governing body (Part VI, line 1a) 3 21. 4 Number of independent voting members of the governing body (Part VI, line 1b) 4 19. 5 Total number of individuals employed in calendar year 2019 (Part V, line 2a) 5 2,930. 6 Total number of volunteers (estimate if necessary) 6 508. 7a Total unrelated business revenue from Part VIII, column (C), line 12 7a 54,569. 7b Net unrelated business taxable income from Form 990-T, line 39 7b 0.

Table with 3 columns: Revenue, Prior Year, Current Year. Rows 8-12: Contributions and grants, Program service revenue, Investment income, Other revenue, Total revenue.

Table with 3 columns: Expenses, Prior Year, Current Year. Rows 13-19: Grants and similar amounts paid, Benefits paid, Salaries, Professional fundraising fees, Total fundraising expenses, Other expenses, Total expenses, Revenue less expenses.

Table with 3 columns: Net Assets or Fund Balances, Beginning of Current Year, End of Year. Rows 20-22: Total assets, Total liabilities, Net assets or fund balances.

Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here: Signature of officer: MICHELLE K. MAHAN, CFO. Date: 5.14.2021.

Paid Preparer Use Only: Print/Type preparer's name: MELANIE A MCPEAK. Preparer's signature: Melanie A. McPeak. Date: 05/11/2021. Check self-employed: PTIN: P01346034. Firm's name: ERNST & YOUNG U.S. LLP. Firm's EIN: 34-6565596. Firm's address: 201 NORTH FRANKLIN STREET, STE 2400 TAMPA, FL 33602. Phone no.: 813-225-4800.

May the IRS discuss this return with the preparer shown above? (see instructions) X Yes No

For Paperwork Reduction Act Notice, see the separate instructions. Form 990 (2019)

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III Yes No

1 Briefly describe the organization's mission:

TO POSITIVELY IMPACT THE WELL-BEING OF EVERY INDIVIDUAL IN OUR COMMUNITY.

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? Yes No

If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? Yes No

If "Yes," describe these changes on Schedule O.

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code:) (Expenses \$ 40,745,269. including grants of \$ 50,000.) (Revenue \$ 71,993,056.)

ATTACHMENT 1

4b (Code:) (Expenses \$ 29,562,823. including grants of \$ 0.) (Revenue \$ 60,761,258.)

ATTACHMENT 2

4c (Code:) (Expenses \$ 17,133,160. including grants of \$ 0.) (Revenue \$ 31,052,557.)

ATTACHMENT 3

4d Other program services (Describe on Schedule O.)

(Expenses \$ 219,944,900. including grants of \$ 0.) (Revenue \$ 195,319,949.)

4e Total program service expenses ▶ 307,386,152.

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A.</i>	X	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)?	X	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i>		X
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i>	X	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III</i>		X
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I.</i>		X
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II.</i>		X
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i>		X
9 Did the organization report an amount in Part X, line 21, for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV</i>		X
10 Did the organization, directly or through a related organization, hold assets in donor-restricted endowments or in quasi endowments? <i>If "Yes," complete Schedule D, Part V</i>	X	
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i>	X	
b Did the organization report an amount for investments-other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII</i>		X
c Did the organization report an amount for investments-program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII</i>	X	
d Did the organization report an amount for other assets in Part X, line 15, that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX</i>	X	
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>	X	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X</i>		X
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII.</i>		X
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i>	X	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>		X
14a Did the organization maintain an office, employees, or agents outside of the United States?.		X
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Parts I and IV</i>	X	
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? <i>If "Yes," complete Schedule F, Parts II and IV</i>		X
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? <i>If "Yes," complete Schedule F, Parts III and IV</i>		X
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I</i> (see instructions).	X	
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i>		X
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i>		X
20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>	X	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	X	
21 Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or domestic government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	X	

Part IV Checklist of Required Schedules (continued)

Table with 3 columns: Question number, Description, and Yes/No response. Rows 22-38 cover various IRS schedule requirements.

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V []

Table with 3 columns: Question number, Description, and Yes/No response. Rows 1a-1c cover Form 1096 and backup withholding rules.

Part V Statements Regarding Other IRS Filings and Tax Compliance (continued)

		Yes	No
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return. 2a 2,930		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note: If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	X	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	X	
b	If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation on Schedule O	X	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		X
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR).		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		X
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	Organizations that may receive deductible contributions under section 170(c).		
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		X
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		X
d	If "Yes," indicate the number of Forms 8282 filed during the year 7d		
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		X
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
8	Sponsoring organizations maintaining donor advised funds. Did a donor advised fund maintained by the sponsoring organization have excess business holdings at any time during the year?		
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the sponsoring organization make any taxable distributions under section 4966?		
b	Did the sponsoring organization make a distribution to a donor, donor advisor, or related person?		
10	Section 501(c)(7) organizations. Enter:		
a	Initiation fees and capital contributions included on Part VIII, line 12 10a		
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities 10b		
11	Section 501(c)(12) organizations. Enter:		
a	Gross income from members or shareholders 11a		
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.) 11b		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year 12b		
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state? 13a Note: See the instructions for additional information the organization must report on Schedule O.		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans 13b		
c	Enter the amount of reserves on hand 13c		
14a	Did the organization receive any payments for indoor tanning services during the tax year?		X
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation on Schedule O 14b		
15	Is the organization subject to the section 4960 tax on payment(s) of more than \$1,000,000 in remuneration or excess parachute payment(s) during the year? 15 If "Yes," see instructions and file Form 4720, Schedule N.	X	
16	Is the organization an educational institution subject to the section 4968 excise tax on net investment income? If "Yes," complete Form 4720, Schedule O. 16		X

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes on Schedule O. See instructions.

Check if Schedule O contains a response or note to any line in this Part VI [X]

Section A. Governing Body and Management

Table with 3 columns: Question, Yes, No. Rows include: 1a (21), 1b (19), 2 (X), 3 (X), 4 (X), 5 (X), 6 (X), 7a (X), 7b (X), 8a (X), 8b (X), 9 (X).

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

Table with 3 columns: Question, Yes, No. Rows include: 10a (X), 10b (X), 11a (X), 12a (X), 12b (X), 12c (X), 13 (X), 14 (X), 15a (X), 15b (X), 16a (X), 16b (X).

Section C. Disclosure

- 17 List the states with which a copy of this Form 990 is required to be filed MD,
18 Section 6104 requires an organization to make its Forms 1023 (1024 or 1024-A, if applicable), 990, and 990-T (Section 501(c) (3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
19 Describe on Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.
20 State the name, address, and telephone number of the person who possesses the organization's books and records

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response or note to any line in this Part VII X

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations. See instructions for the order in which to list the persons above.

Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

(A) Name and title	(B) Average hours per week per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) THOMAS A. KLEINHANZL PRESIDENT AND CEO	40.00 8.00	X		X				1,422,493.	0.	349,499.
(2) MICHELLE K. MAHAN SR VP AND CFO	40.00 6.00			X				741,958.	0.	77,310.
(3) MANUEL A. CASIANO SVP POPULATION HEALTH	14.00 26.00				X			549,401.	0.	66,334.
(4) CHERYL L. CIOFFI SVP COO AND CNO	36.00 4.00				X			469,052.	0.	63,822.
(5) MIHIR JANI, M.D. DIRECTOR/PHYSICIAN	2.00 40.00	X						0.	466,588.	27,826.
(6) MARY A. MCDONALD MEDICAL DIR HOSPICE	4.00 36.00					X		332,638.	0.	28,509.
(7) MARY D. BARTON VP-BUSINESS DEVELOP. & STRAT.	30.00 10.00				X			318,729.	0.	15,507.
(8) DONALD R. SCHILLING VP AMBULATORY SERVICES	6.00 34.00				X			304,102.	0.	26,055.
(9) JENNIFER G. TEETER VP CLINICAL INTEGRATION	16.00 24.00				X			296,665.	0.	24,610.
(10) CHRISTOPHER M. BUMBAUGH VP HUMAN RESOURCES	30.00 10.00				X			279,699.	0.	27,835.
(11) JACKIE L. RICE VP CHIEF INFORMATION OFFICER	33.00 7.00				X			283,556.	0.	12,750.
(12) HANNAH R. JACOBS VP FINANCE	33.00 7.00				X			259,594.	0.	21,837.
(13) CRAIG F. ROSENDALE VP COMPLIANCE	24.00 16.00				X			250,841.	0.	23,621.
(14) HEATHER R. KIRBY VP INTEGRATED CARE DELIVERY	36.00 4.00				X			243,940.	0.	21,943.

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(15) DIANE M. MCFARLAND VP PT CARE SVCS	40.00 0.				X			244,520.	0.	11,101.
(16) DUSTIN M. SIMONSON ONCOLOGY MEDICAL PHYSICIST	40.00 0.					X		225,277.	0.	26,954.
(17) MICHAEL G. MCLANE JR VP SUPPORT SVCS	33.00 7.00				X			212,859.	0.	24,179.
(18) CARLOS T. GRAVERAN DIRECTOR OF HOSPICE	24.00 16.00					X		205,276.	0.	19,419.
(19) JENNIFER D. HULVEY DIRECTOR REIMBURSEMENT	35.00 5.00					X		188,757.	0.	24,779.
(20) ROBIN R. ROSE VP DEVELOPMENT	40.00 0.				X			187,764.	0.	23,295.
(21) JAMIE B. WHITE VP QUALITY ASSURANCE PATIENT	40.00 0.				X			174,273.	0.	21,866.
(22) CHANGAN XIE ONCOLOGY MEDICAL PHYSICIST	40.00 0.					X		185,806.	0.	10,239.
(23) KATHY J. WEISHAAR VP MEDICAL AFFAIRS	40.00 2.00				X			179,748.	0.	8,946.
(24) GERRIT SCHIPPER, MD DIRECTOR/PHYSICIAN	2.00 0.	X						6,850.	0.	0.
(25) TERENCE MCPHERSON DIRECTOR	2.00 0.	X						0.	0.	0.
1b Sub-total								7,563,798.	466,588.	958,236.
c Total from continuation sheets to Part VII, Section A								0.	0.	0.
d Total (add lines 1b and 1c)								7,563,798.	466,588.	958,236.

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization ► 158

	Yes	No
3 Did the organization list any former officer, director, or trustee, key employee, or highest compensated employee on line 1a? If "Yes," complete Schedule J for such individual		X
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? If "Yes," complete Schedule J for such individual	X	
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? If "Yes," complete Schedule J for such person		X

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
ATTACHMENT 4		

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization ► 60

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(26) LAURA MELIA ----- DIRECTOR	2.00 ----- 2.00	X						0.	0.	0.
(27) ALLEN D. MAWDSLEY ----- DIRECTOR	2.00 ----- 2.00	X						0.	0.	0.
(28) ELIZABETH PAKENAS ----- SECRETARY/TREASURER	2.00 ----- 0.	X		X				0.	0.	0.
(29) GREGORY P. DORMITZER ----- DIRECTOR (ENDED 9/30/19)	2.00 ----- 1.00	X						0.	0.	0.
(30) HONORABLE STEPHEN JOHNSON ----- VICE PRESIDENT	2.00 ----- 1.00	X		X				0.	0.	0.
(31) THOMAS MUNRO, MD ----- VC OF STAFF/PHYSICIAN	5.00 ----- 0.	X						0.	0.	0.
(32) J. FREDERICK MANNING ----- CHAIRMAN	2.00 ----- 0.	X		X				0.	0.	0.
(33) PATRICIA HANBERRY ----- DIRECTOR	2.00 ----- 0.	X						0.	0.	0.
(34) KARLYS KLINE ----- DIRECTOR	2.00 ----- 0.	X						0.	0.	0.
(35) NIKKI MOBERLY ----- DIRECTOR	2.00 ----- 0.	X						0.	0.	0.
(36) GERALD WINNAN, MD ----- DIRECTOR	2.00 ----- 0.	X						0.	0.	0.
1b Sub-total								0.	0.	0.
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)										

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **▶** 158

	Yes	No
3 Did the organization list any former officer, director, or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>		X
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	X	
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>		X

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization **▶**

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(37) DEBRA BORDEN ----- DIRECTOR	2.00 ----- 0.	X						0.	0.	0.
(38) GORDON COOLEY ----- DIRECTOR	2.00 ----- 0.	X						0.	0.	0.
(39) NANCY NEWMISTER ----- DIRECTOR	2.00 ----- 0.	X						0.	0.	0.
(40) KASCHIT PANDYA ----- DIRECTOR	2.00 ----- 0.	X						0.	0.	0.
(41) PATRICIA L. RAY ----- DIRECTOR	4.00 ----- 0.	X						0.	0.	0.
(42) DOUGLAS STAUFFER ----- DIRECTOR	2.00 ----- 2.00	X						0.	0.	0.
(43) SHAWN WOLF ----- DIRECTOR (ENDED 9/30/19)	2.00 ----- 0.	X						0.	0.	0.
(44) CORNELIUS FAY ----- DIRECTOR	2.00 ----- 0.	X						0.	0.	0.
1b Sub-total								0.	0.	0.
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)										

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization ► 158

	Yes	No
3 Did the organization list any former officer, director, or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>		X
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	X	
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>		X

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization ►

Part VIII Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514			
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns	1a							
	b	Membership dues	1b							
	c	Fundraising events	1c							
	d	Related organizations	1d							
	e	Government grants (contributions) . .	1e	10,440,739.						
	f	All other contributions, gifts, grants, and similar amounts not included above .	1f	2,468,465.						
	g	Noncash contributions included in lines 1a-1f.	1g	\$ 73,604.						
	h	Total. Add lines 1a-1f ▶		12,909,204.						
	Program Service Revenue	2a	INPATIENT REVENUE	Business Code	624110	200,762,984.	200,762,984.			
b		OUTPATIENT REVENUE		621410	155,996,604.	155,996,604.				
c		GROUP PURCHASING PREMIER		525990	2,728,302.	2,716,709.	11,593.			
d										
e										
f		All other program service revenue								
g		Total. Add lines 2a-2f ▶			359,487,890.					
Other Revenue		3	Investment income (including dividends, interest, and other similar amounts). ▶			3,798,581.		42,976.		
	4	Income from investment of tax-exempt bond proceeds . ▶			0.					
	5	Royalties ▶			0.					
	6a	Gross rents	6a	(i) Real						
				(ii) Personal						
					934,549.					
	b	Less: rental expenses	6b							
	c	Rental income or (loss)	6c	934,549.						
	d	Net rental income or (loss) ▶			934,549.		934,549.			
	7a	Gross amount from sales of assets other than inventory	7a	(i) Securities						
				(ii) Other						
					37,796,364.	14,855.				
	b	Less: cost or other basis and sales expenses . .	7b	37,275,115.						
	c	Gain or (loss)	7c	521,249.	14,855.					
d	Net gain or (loss) ▶			536,104.		536,104.				
8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c). See Part IV, line 18	8a		0.						
			b	Less: direct expenses	8b	0.				
			c	Net income or (loss) from fundraising events. ▶		0.				
			9a	Gross income from gaming activities. See Part IV, line 19	9a		0.			
						b	Less: direct expenses	9b	0.	
						c	Net income or (loss) from gaming activities. ▶		0.	
			10a	Gross sales of inventory, less returns and allowances	10a		0.			
						b	Less: cost of goods sold	10b	0.	
						c	Net income or (loss) from sales of inventory. ▶		0.	
Miscellaneous Revenue	11a	CAFETERIA REVENUE	Business Code	722511	1,013,101.	1,013,101.				
	b	LOSSES INTEREST RATE SWAP		900099	-1,375,084.	-1,375,084.				
	c	ALL OTHER REVENUE		900099	913.	913.				
	d	All other revenue								
	e	Total. Add lines 11a-11d ▶			-361,070.					
12	Total revenue. See instructions ▶			377,305,258.	359,115,227.	54,569.	5,226,258.			

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX X

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21	50,000.	50,000.		
2 Grants and other assistance to domestic individuals. See Part IV, line 22	0.			
3 Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16	0.			
4 Benefits paid to or for members	0.			
5 Compensation of current officers, directors, trustees, and key employees	6,851,639.	6,850.	6,844,789.	
6 Compensation not included above to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0.			
7 Other salaries and wages	137,774,734.	123,180,540.	14,393,572.	200,622.
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	7,941,642.	6,764,397.	1,166,229.	11,016.
9 Other employee benefits	14,623,298.	12,445,032.	2,157,907.	20,359.
10 Payroll taxes	10,334,404.	9,058,205.	1,261,829.	14,370.
11 Fees for services (nonemployees):				
a Management	1,534,602.	100,423.	1,386,179.	48,000.
b Legal	1,502,100.		1,502,100.	
c Accounting	493,050.		493,050.	
d Lobbying	20,159.		20,159.	
e Professional fundraising services. See Part IV, line 17.	58,500.			58,500.
f Investment management fees	383,849.		383,849.	
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O.) ATCH 5	66,373,173.	60,590,881.	5,772,872.	9,420.
12 Advertising and promotion	1,928,350.	25,961.	1,729,291.	173,098.
13 Office expenses	8,495,131.	6,984,359.	1,482,789.	27,983.
14 Information technology	10,070,122.	9,890,716.	179,406.	
15 Royalties	0.			
16 Occupancy	6,255,675.	6,132,967.	122,708.	
17 Travel	0.			
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	108,539.	53,792.	51,832.	2,915.
19 Conferences, conventions, and meetings	149,886.	74,284.	71,577.	4,025.
20 Interest	5,013,801.	4,697,931.	305,842.	10,028.
21 Payments to affiliates	0.			
22 Depreciation, depletion, and amortization	23,044,257.	17,741,289.	5,281,324.	21,644.
23 Insurance	3,731,119.	5,136.	3,725,983.	
24 Other expenses. Itemize expenses not covered above (List miscellaneous expenses on line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a SUPPLIES AND COGS	50,022,508.	49,582,591.	431,604.	8,313.
b ALL OTHER EXPENSES	798.	798.		
c _____				
d _____				
e All other expenses _____				
25 Total functional expenses. Add lines 1 through 24e	356,761,336.	307,386,152.	48,764,891.	610,293.
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720)	0.			

Part X Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X

		(A) Beginning of year		(B) End of year
Assets	1 Cash - non-interest-bearing	0.	1	0.
	2 Savings and temporary cash investments	24,962,673.	2	82,862,545.
	3 Pledges and grants receivable, net	4,738,966.	3	4,425,589.
	4 Accounts receivable, net.	45,547,718.	4	49,957,167.
	5 Loans and other receivables from any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons	0.	5	0.
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), and persons described in section 4958(c)(3)(B).	0.	6	0.
	7 Notes and loans receivable, net	0.	7	0.
	8 Inventories for sale or use	4,507,924.	8	7,171,648.
	9 Prepaid expenses and deferred charges	3,324,816.	9	5,257,017.
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 594,473,388.		
	b Less: accumulated depreciation	10b 361,046,199.	225,297,751.	10c 233,427,189.
	11 Investments - publicly traded securities.	169,920,687.	11	169,326,844.
	12 Investments - other securities. See Part IV, line 11	0.	12	0.
	13 Investments - program-related. See Part IV, line 11.	29,007,433.	13	51,317,774.
	14 Intangible assets	0.	14	0.
	15 Other assets. See Part IV, line 11	14,518,768.	15	32,369,283.
16 Total assets. Add lines 1 through 15 (must equal line 33)	521,826,736.	16	636,115,056.	
Liabilities	17 Accounts payable and accrued expenses	44,157,466.	17	49,075,187.
	18 Grants payable	0.	18	0.
	19 Deferred revenue.	0.	19	0.
	20 Tax-exempt bond liabilities.	172,390,436.	20	118,839,613.
	21 Escrow or custodial account liability. Complete Part IV of Schedule D.	0.	21	0.
	22 Loans and other payables to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons	0.	22	0.
	23 Secured mortgages and notes payable to unrelated third parties	0.	23	93,875,000.
	24 Unsecured notes and loans payable to unrelated third parties.	0.	24	0.
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D	42,283,519.	25	120,378,134.
	26 Total liabilities. Add lines 17 through 25.	258,831,421.	26	382,167,934.
Net Assets or Fund Balances	Organizations that follow FASB ASC 958, check here <input checked="" type="checkbox"/> and complete lines 27, 28, 32, and 33.			
	27 Net assets without donor restrictions	255,199,544.	27	246,269,549.
	28 Net assets with donor restrictions.	7,795,771.	28	7,677,573.
	Organizations that do not follow FASB ASC 958, check here <input type="checkbox"/> and complete lines 29 through 33.			
	29 Capital stock or trust principal, or current funds		29	
	30 Paid-in or capital surplus, or land, building, or equipment fund.		30	
	31 Retained earnings, endowment, accumulated income, or other funds.		31	
	32 Total net assets or fund balances	262,995,315.	32	253,947,122.
33 Total liabilities and net assets/fund balances	521,826,736.	33	636,115,056.	

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	377,305,258.
2	Total expenses (must equal Part IX, column (A), line 25)	2	356,761,336.
3	Revenue less expenses. Subtract line 2 from line 1	3	20,543,922.
4	Net assets or fund balances at beginning of year (must equal Part X, line 32, column (A))	4	262,995,315.
5	Net unrealized gains (losses) on investments	5	2,715,492.
6	Donated services and use of facilities	6	0.
7	Investment expenses	7	0.
8	Prior period adjustments	8	0.
9	Other changes in net assets or fund balances (explain on Schedule O)	9	-32,307,607.
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 32, column (B))	10	253,947,122.

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII.

- 1** Accounting method used to prepare the Form 990: Cash Accrual Other _____
If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.
- 2a** Were the organization's financial statements compiled or reviewed by an independent accountant?
If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both:
 Separate basis Consolidated basis Both consolidated and separate basis
- b** Were the organization's financial statements audited by an independent accountant?
If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both:
 Separate basis Consolidated basis Both consolidated and separate basis
- c** If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?
If the organization changed either its oversight process or selection process during the tax year, explain on Schedule O.
- 3a** As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?
- b** If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why on Schedule O and describe any steps taken to undergo such audits

	Yes	No
2a		X
2b	X	
2c	X	
3a		X
3b		

Form **990** (2019)

SCHEDULE A
(Form 990 or 990-EZ)

Public Charity Status and Public Support

OMB No. 1545-0047

2019

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ.

▶ Go to www.irs.gov/Form990 for instructions and the latest information.

Name of the organization

FREDERICK HEALTH HOSPITAL, INC.

Employer identification number

52-0591612

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is: (For lines 1 through 12, check only one box.)

- 1 A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i)**.
- 2 A school described in **section 170(b)(1)(A)(ii)**. (Attach Schedule E (Form 990 or 990-EZ).)
- 3 A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii)**.
- 4 A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii)**. Enter the hospital's name, city, and state: _____
- 5 An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv)**. (Complete Part II.)
- 6 A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v)**.
- 7 An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)**. (Complete Part II.)
- 8 A community trust described in **section 170(b)(1)(A)(vi)**. (Complete Part II.)
- 9 An agricultural research organization described in **section 170(b)(1)(A)(ix)** operated in conjunction with a land-grant college or university or a non-land-grant college of agriculture (see instructions). Enter the name, city, and state of the college or university: _____
- 10 An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2)**. (Complete Part III.)
- 11 An organization organized and operated exclusively to test for public safety. See **section 509(a)(4)**.
- 12 An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in **section 509(a)(1)** or **section 509(a)(2)**. See **section 509(a)(3)**.
Check the box in lines 12a through 12d that describes the type of supporting organization and complete lines 12e, 12f, and 12g.
 - a **Type I.** A supporting organization operated, supervised, or controlled by its supported organization(s), typically by giving the supported organization(s) the power to regularly appoint or elect a majority of the directors or trustees of the supporting organization. **You must complete Part IV, Sections A and B.**
 - b **Type II.** A supporting organization supervised or controlled in connection with its supported organization(s), by having control or management of the supporting organization vested in the same persons that control or manage the supported organization(s). **You must complete Part IV, Sections A and C.**
 - c **Type III functionally integrated.** A supporting organization operated in connection with, and functionally integrated with, its supported organization(s) (see instructions). **You must complete Part IV, Sections A, D, and E.**
 - d **Type III non-functionally integrated.** A supporting organization operated in connection with its supported organization(s) that is not functionally integrated. The organization generally must satisfy a distribution requirement and an attentiveness requirement (see instructions). **You must complete Part IV, Sections A and D, and Part V.**
 - e Check this box if the organization received a written determination from the IRS that it is a Type I, Type II, Type III functionally integrated, or Type III non-functionally integrated supporting organization.

f Enter the number of supported organizations

g Provide the following information about the supported organization(s).

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-10 above (see instructions))	(iv) Is the organization listed in your governing document?		(v) Amount of monetary support (see instructions)	(vi) Amount of other support (see instructions)
			Yes	No		
(A)						
(B)						
(C)						
(D)						
(E)						
Total						

Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Table with 7 columns: (a) 2015, (b) 2016, (c) 2017, (d) 2018, (e) 2019, (f) Total. Rows include: 1 Gifts, grants, contributions, and membership fees received; 2 Tax revenues levied for the organization's benefit; 3 The value of services or facilities furnished by a governmental unit; 4 Total. Add lines 1 through 3; 5 The portion of total contributions by each person; 6 Public support. Subtract line 5 from line 4.

Section B. Total Support

Table with 7 columns: (a) 2015, (b) 2016, (c) 2017, (d) 2018, (e) 2019, (f) Total. Rows include: 7 Amounts from line 4; 8 Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources; 9 Net income from unrelated business activities; 10 Other income; 11 Total support. Add lines 7 through 10; 12 Gross receipts from related activities; 13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here.

Section C. Computation of Public Support Percentage

Table with 3 columns: Line number, Description, and Percentage. Rows include: 14 Public support percentage for 2019; 15 Public support percentage from 2018 Schedule A; 16a 33 1/3% support test - 2019; 16b 33 1/3% support test - 2018; 17a 10%-facts-and-circumstances test - 2019; 17b 10%-facts-and-circumstances test - 2018; 18 Private foundation.

Part III Support Schedule for Organizations Described in Section 509(a)(2)
 (Complete only if you checked the box on line 10 of Part I or if the organization failed to qualify under Part II.
 If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ►	(a) 2015	(b) 2016	(c) 2017	(d) 2018	(e) 2019	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5.						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b.						
8 Public support. (Subtract line 7c from line 6.)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2015	(b) 2016	(c) 2017	(d) 2018	(e) 2019	(f) Total
9 Amounts from line 6.						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						

14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here**

Section C. Computation of Public Support Percentage

15 Public support percentage for 2019 (line 8, column (f), divided by line 13, column (f))	15	%
16 Public support percentage from 2018 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2019 (line 10c, column (f), divided by line 13, column (f)),	17	%
18 Investment income percentage from 2018 Schedule A, Part III, line 17	18	%

19a 33 1/3% support tests - 2019. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization .

b 33 1/3% support tests - 2018. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization

20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions

Part IV Supporting Organizations

(Complete only if you checked a box in line 12 on Part I. If you checked 12a of Part I, complete Sections A and B. If you checked 12b of Part I, complete Sections A and C. If you checked 12c of Part I, complete Sections A, D, and E. If you checked 12d of Part I, complete Sections A and D, and complete Part V.)

Section A. All Supporting Organizations

	Yes	No
1 Are all of the organization's supported organizations listed by name in the organization's governing documents? <i>If "No," describe in Part VI how the supported organizations are designated. If designated by class or purpose, describe the designation. If historic and continuing relationship, explain.</i>		
2 Did the organization have any supported organization that does not have an IRS determination of status under section 509(a)(1) or (2)? <i>If "Yes," explain in Part VI how the organization determined that the supported organization was described in section 509(a)(1) or (2).</i>		
3a Did the organization have a supported organization described in section 501(c)(4), (5), or (6)? <i>If "Yes," answer (b) and (c) below.</i>		
b Did the organization confirm that each supported organization qualified under section 501(c)(4), (5), or (6) and satisfied the public support tests under section 509(a)(2)? <i>If "Yes," describe in Part VI when and how the organization made the determination.</i>		
c Did the organization ensure that all support to such organizations was used exclusively for section 170(c)(2)(B) purposes? <i>If "Yes," explain in Part VI what controls the organization put in place to ensure such use.</i>		
4a Was any supported organization not organized in the United States ("foreign supported organization")? <i>If "Yes," and if you checked 12a or 12b in Part I, answer (b) and (c) below.</i>		
b Did the organization have ultimate control and discretion in deciding whether to make grants to the foreign supported organization? <i>If "Yes," describe in Part VI how the organization had such control and discretion despite being controlled or supervised by or in connection with its supported organizations.</i>		
c Did the organization support any foreign supported organization that does not have an IRS determination under sections 501(c)(3) and 509(a)(1) or (2)? <i>If "Yes," explain in Part VI what controls the organization used to ensure that all support to the foreign supported organization was used exclusively for section 170(c)(2)(B) purposes.</i>		
5a Did the organization add, substitute, or remove any supported organizations during the tax year? <i>If "Yes," answer (b) and (c) below (if applicable). Also, provide detail in Part VI, including (i) the names and EIN numbers of the supported organizations added, substituted, or removed; (ii) the reasons for each such action; (iii) the authority under the organization's organizing document authorizing such action; and (iv) how the action was accomplished (such as by amendment to the organizing document).</i>		
b Type I or Type II only. Was any added or substituted supported organization part of a class already designated in the organization's organizing document?		
c Substitutions only. Was the substitution the result of an event beyond the organization's control?		
6 Did the organization provide support (whether in the form of grants or the provision of services or facilities) to anyone other than (i) its supported organizations, (ii) individuals that are part of the charitable class benefited by one or more of its supported organizations, or (iii) other supporting organizations that also support or benefit one or more of the filing organization's supported organizations? <i>If "Yes," provide detail in Part VI.</i>		
7 Did the organization provide a grant, loan, compensation, or other similar payment to a substantial contributor (as defined in section 4958(c)(3)(C)), a family member of a substantial contributor, or a 35% controlled entity with regard to a substantial contributor? <i>If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).</i>		
8 Did the organization make a loan to a disqualified person (as defined in section 4958) not described in line 7? <i>If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).</i>		
9a Was the organization controlled directly or indirectly at any time during the tax year by one or more disqualified persons as defined in section 4946 (other than foundation managers and organizations described in section 509(a)(1) or (2))? <i>If "Yes," provide detail in Part VI.</i>		
b Did one or more disqualified persons (as defined in line 9a) hold a controlling interest in any entity in which the supporting organization had an interest? <i>If "Yes," provide detail in Part VI.</i>		
c Did a disqualified person (as defined in line 9a) have an ownership interest in, or derive any personal benefit from, assets in which the supporting organization also had an interest? <i>If "Yes," provide detail in Part VI.</i>		
10a Was the organization subject to the excess business holdings rules of section 4943 because of section 4943(f) (regarding certain Type II supporting organizations, and all Type III non-functionally integrated supporting organizations)? <i>If "Yes," answer 10b below.</i>		
b Did the organization have any excess business holdings in the tax year? <i>(Use Schedule C, Form 4720, to determine whether the organization had excess business holdings.)</i>		

Part IV Supporting Organizations (continued)

		Yes	No
11	Has the organization accepted a gift or contribution from any of the following persons?		
a	A person who directly or indirectly controls, either alone or together with persons described in (b) and (c) below, the governing body of a supported organization?	11 a	
b	A family member of a person described in (a) above?	11 b	
c	A 35% controlled entity of a person described in (a) or (b) above? <i>If "Yes" to a, b, or c, provide detail in Part VI.</i>	11 c	

Section B. Type I Supporting Organizations

		Yes	No
1	Did the directors, trustees, or membership of one or more supported organizations have the power to regularly appoint or elect at least a majority of the organization's directors or trustees at all times during the tax year? <i>If "No," describe in Part VI how the supported organization(s) effectively operated, supervised, or controlled the organization's activities. If the organization had more than one supported organization, describe how the powers to appoint and/or remove directors or trustees were allocated among the supported organizations and what conditions or restrictions, if any, applied to such powers during the tax year.</i>	1	
2	Did the organization operate for the benefit of any supported organization other than the supported organization(s) that operated, supervised, or controlled the supporting organization? <i>If "Yes," explain in Part VI how providing such benefit carried out the purposes of the supported organization(s) that operated, supervised, or controlled the supporting organization.</i>	2	

Section C. Type II Supporting Organizations

		Yes	No
1	Were a majority of the organization's directors or trustees during the tax year also a majority of the directors or trustees of each of the organization's supported organization(s)? <i>If "No," describe in Part VI how control or management of the supporting organization was vested in the same persons that controlled or managed the supported organization(s).</i>	1	

Section D. All Type III Supporting Organizations

		Yes	No
1	Did the organization provide to each of its supported organizations, by the last day of the fifth month of the organization's tax year, (i) a written notice describing the type and amount of support provided during the prior tax year, (ii) a copy of the Form 990 that was most recently filed as of the date of notification, and (iii) copies of the organization's governing documents in effect on the date of notification, to the extent not previously provided?	1	
2	Were any of the organization's officers, directors, or trustees either (i) appointed or elected by the supported organization(s) or (ii) serving on the governing body of a supported organization? <i>If "No," explain in Part VI how the organization maintained a close and continuous working relationship with the supported organization(s).</i>	2	
3	By reason of the relationship described in (2), did the organization's supported organizations have a significant voice in the organization's investment policies and in directing the use of the organization's income or assets at all times during the tax year? <i>If "Yes," describe in Part VI the role the organization's supported organizations played in this regard.</i>	3	

Section E. Type III Functionally Integrated Supporting Organizations

1	Check the box next to the method that the organization used to satisfy the Integral Part Test during the year (see instructions).			
a	<input type="checkbox"/> The organization satisfied the Activities Test. Complete line 2 below.			
b	<input type="checkbox"/> The organization is the parent of each of its supported organizations. Complete line 3 below.			
c	<input type="checkbox"/> The organization supported a governmental entity. Describe in Part VI how you supported a government entity (see instructions).			
2	Activities Test. Answer (a) and (b) below.		Yes	No
a	Did substantially all of the organization's activities during the tax year directly further the exempt purposes of the supported organization(s) to which the organization was responsive? <i>If "Yes," then in Part VI identify those supported organizations and explain how these activities directly furthered their exempt purposes, how the organization was responsive to those supported organizations, and how the organization determined that these activities constituted substantially all of its activities.</i>	2a		
b	Did the activities described in (a) constitute activities that, but for the organization's involvement, one or more of the organization's supported organization(s) would have been engaged in? <i>If "Yes," explain in Part VI the reasons for the organization's position that its supported organization(s) would have engaged in these activities but for the organization's involvement.</i>	2b		
3	Parent of Supported Organizations. Answer (a) and (b) below.			
a	Did the organization have the power to regularly appoint or elect a majority of the officers, directors, or trustees of each of the supported organizations? <i>Provide details in Part VI.</i>	3a		
b	Did the organization exercise a substantial degree of direction over the policies, programs, and activities of each of its supported organizations? <i>If "Yes," describe in Part VI the role played by the organization in this regard.</i>	3b		

Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations

1 Check here if the organization satisfied the Integral Part Test as a qualifying trust on Nov. 20, 1970 (explain in Part VI). **See instructions.** All other Type III non-functionally integrated supporting organizations must complete Sections A through E.

Section A - Adjusted Net Income		(A) Prior Year	(B) Current Year (optional)
1 Net short-term capital gain	1		
2 Recoveries of prior-year distributions	2		
3 Other gross income (see instructions)	3		
4 Add lines 1 through 3.	4		
5 Depreciation and depletion	5		
6 Portion of operating expenses paid or incurred for production or collection of gross income or for management, conservation, or maintenance of property held for production of income (see instructions)	6		
7 Other expenses (see instructions)	7		
8 Adjusted Net Income (subtract lines 5, 6, and 7 from line 4)	8		

Section B - Minimum Asset Amount		(A) Prior Year	(B) Current Year (optional)
1 Aggregate fair market value of all non-exempt-use assets (see instructions for short tax year or assets held for part of year):			
a Average monthly value of securities	1a		
b Average monthly cash balances	1b		
c Fair market value of other non-exempt-use assets	1c		
d Total (add lines 1a, 1b, and 1c)	1d		
e Discount claimed for blockage or other factors (explain in detail in Part VI):			
2 Acquisition indebtedness applicable to non-exempt-use assets	2		
3 Subtract line 2 from line 1d.	3		
4 Cash deemed held for exempt use. Enter 1-1/2% of line 3 (for greater amount, see instructions).	4		
5 Net value of non-exempt-use assets (subtract line 4 from line 3)	5		
6 Multiply line 5 by .035.	6		
7 Recoveries of prior-year distributions	7		
8 Minimum Asset Amount (add line 7 to line 6)	8		

Section C - Distributable Amount			Current Year
1 Adjusted net income for prior year (from Section A, line 8, Column A)	1		
2 Enter 85% of line 1.	2		
3 Minimum asset amount for prior year (from Section B, line 8, Column A)	3		
4 Enter greater of line 2 or line 3.	4		
5 Income tax imposed in prior year	5		
6 Distributable Amount. Subtract line 5 from line 4, unless subject to emergency temporary reduction (see instructions).	6		

7 Check here if the current year is the organization's first as a non-functionally integrated Type III supporting organization (see instructions).

Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations (continued)

Section D - Distributions	Current Year
1 Amounts paid to supported organizations to accomplish exempt purposes	
2 Amounts paid to perform activity that directly furthers exempt purposes of supported organizations, in excess of income from activity	
3 Administrative expenses paid to accomplish exempt purposes of supported organizations	
4 Amounts paid to acquire exempt-use assets	
5 Qualified set-aside amounts (prior IRS approval required)	
6 Other distributions (describe in Part VI). See instructions.	
7 Total annual distributions. Add lines 1 through 6.	
8 Distributions to attentive supported organizations to which the organization is responsive (provide details in Part VI). See instructions.	
9 Distributable amount for 2019 from Section C, line 6	
10 Line 8 amount divided by line 9 amount	

Section E - Distribution Allocations (see instructions)	(i) Excess Distributions	(ii) Underdistributions Pre-2019	(iii) Distributable Amount for 2019
1 Distributable amount for 2019 from Section C, line 6			
2 Underdistributions, if any, for years prior to 2019 (reasonable cause required - explain in Part VI). See instructions.			
3 Excess distributions carryover, if any, to 2019			
a From 2014			
b From 2015			
c From 2016			
d From 2017			
e From 2018			
f Total of lines 3a through e			
g Applied to underdistributions of prior years			
h Applied to 2019 distributable amount			
i Carryover from 2014 not applied (see instructions)			
j Remainder. Subtract lines 3g, 3h, and 3i from 3f.			
4 Distributions for 2019 from Section D, line 7: \$			
a Applied to underdistributions of prior years			
b Applied to 2019 distributable amount			
c Remainder. Subtract lines 4a and 4b from 4.			
5 Remaining underdistributions for years prior to 2019, if any. Subtract lines 3g and 4a from line 2. For result greater than zero, explain in Part VI. See instructions.			
6 Remaining underdistributions for 2019. Subtract lines 3h and 4b from line 1. For result greater than zero, explain in Part VI. See instructions.			
7 Excess distributions carryover to 2020. Add lines 3j and 4c.			
8 Breakdown of line 7:			
a Excess from 2015			
b Excess from 2016			
c Excess from 2017			
d Excess from 2018			
e Excess from 2019			

Part VI **Supplemental Information.** Provide the explanations required by Part II, line 10; Part II, line 17a or 17b; Part III, line 12; Part IV, Section A, lines 1, 2, 3b, 3c, 4b, 4c, 5a, 6, 9a, 9b, 9c, 11a, 11b, and 11c; Part IV, Section B, lines 1 and 2; Part IV, Section C, line 1; Part IV, Section D, lines 2 and 3; Part IV, Section E, lines 1c, 2a, 2b, 3a and 3b; Part V, line 1; Part V, Section B, line 1e; Part V, Section D, lines 5, 6, and 8; and Part V, Section E, lines 2, 5, and 6. Also complete this part for any additional information. (See instructions.)

▶ Attach to Form 990, Form 990-EZ, or Form 990-PF.
 ▶ Go to www.irs.gov/Form990 for the latest information.

Name of the organization FREDERICK HEALTH HOSPITAL, INC.	Employer identification number 52-0591612
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Organization type (check one):

Filers of:

Section:

Form 990 or 990-EZ

501(c)(3) (enter number) organization

4947(a)(1) nonexempt charitable trust **not** treated as a private foundation

527 political organization

Form 990-PF

501(c)(3) exempt private foundation

4947(a)(1) nonexempt charitable trust treated as a private foundation

501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule**.

Note: Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.

General Rule

For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, contributions totaling \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II. See instructions for determining a contributor's total contributions.

Special Rules

For an organization described in section 501(c)(3) filing Form 990 or 990-EZ that met the 33 1/3% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), that checked Schedule A (Form 990 or 990-EZ), Part II, line 13, 16a, or 16b, and that received from any one contributor, during the year, total contributions of the greater of **(1)** \$5,000; or **(2)** 2% of the amount on (i) Form 990, Part VIII, line 1h; or (ii) Form 990-EZ, line 1. Complete Parts I and II.

For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, total contributions of more than \$1,000 *exclusively* for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. Complete Parts I, II, and III.

For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions *exclusively* for religious, charitable, etc., purposes, but no such contributions totaled more than \$1,000. If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Don't complete any of the parts unless the **General Rule** applies to this organization because it received *nonexclusively* religious, charitable, etc., contributions totaling \$5,000 or more during the year ▶ \$ _____

Caution: An organization that isn't covered by the General Rule and/or the Special Rules doesn't file Schedule B (Form 990, 990-EZ, or 990-PF), but it **must** answer "No" on Part IV, line 2, of its Form 990; or check the box on line H of its Form 990-EZ or on its Form 990-PF, Part I, line 2, to certify that it doesn't meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

Name of organization **FREDERICK HEALTH HOSPITAL, INC.**

Employer identification number

52-0591612

Part III Exclusively religious, charitable, etc., contributions to organizations described in section 501(c)(7), (8), or (10) that total more than \$1,000 for the year from any one contributor. Complete columns (a) through (e) and the following line entry. For organizations completing Part III, enter the total of *exclusively* religious, charitable, etc., contributions of **\$1,000 or less** for the year. (Enter this information once. See instructions.) ► \$ _____
 Use duplicate copies of Part III if additional space is needed.

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
_____	_____ _____ _____	_____ _____ _____	_____ _____ _____

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee
_____ _____ _____	_____ _____ _____

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
_____	_____ _____ _____	_____ _____ _____	_____ _____ _____

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee
_____ _____ _____	_____ _____ _____

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
_____	_____ _____ _____	_____ _____ _____	_____ _____ _____

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee
_____ _____ _____	_____ _____ _____

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
_____	_____ _____ _____	_____ _____ _____	_____ _____ _____

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee
_____ _____ _____	_____ _____ _____

SCHEDULE C
(Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No. 1545-0047

2019

Open to Public Inspection

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ **Complete if the organization is described below.** ▶ **Attach to Form 990 or Form 990-EZ.**

▶ **Go to www.irs.gov/Form990 for instructions and the latest information.**

Department of the Treasury
Internal Revenue Service

If the organization answered "Yes," on Form 990, Part IV, line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations: Complete Parts I-A and B. Do not complete Part I-C.
- Section 501(c) (other than section 501(c)(3)) organizations: Complete Parts I-A and C below. Do not complete Part I-B.
- Section 527 organizations: Complete Part I-A only.

If the organization answered "Yes," on Form 990, Part IV, line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)): Complete Part II-A. Do not complete Part II-B.
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)): Complete Part II-B. Do not complete Part II-A.

If the organization answered "Yes," on Form 990, Part IV, line 5 (Proxy Tax) (see separate instructions) or Form 990-EZ, Part V, line 35c (Proxy Tax) (see separate instructions), then

- Section 501(c)(4), (5), or (6) organizations: Complete Part III.

Name of organization FREDERICK HEALTH HOSPITAL, INC.	Employer identification number 52-0591612
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Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

- 1 Provide a description of the organization's direct and indirect political campaign activities in Part IV. (see instructions for definition of "political campaign activities")
- 2 Political campaign activity expenditures (see instructions) ▶ \$ _____
- 3 Volunteer hours for political campaign activities (see instructions)

Part I-B Complete if the organization is exempt under section 501(c)(3).

- 1 Enter the amount of any excise tax incurred by the organization under section 4955. ▶ \$ _____
- 2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ \$ _____
- 3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? Yes No
- 4a Was a correction made? Yes No
- b If "Yes," describe in Part IV.

Part I-C Complete if the organization is exempt under section 501(c), except section 501(c)(3).

- 1 Enter the amount directly expended by the filing organization for section 527 exempt function activities. ▶ \$ _____
- 2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities. ▶ \$ _____
- 3 Total exempt function expenditures. Add lines 1 and 2. Enter here and on Form 1120-POL, line 17b ▶ \$ _____
- 4 Did the filing organization file **Form 1120-POL** for this year? Yes No
- 5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments. For each organization listed, enter the amount paid from the filing organization's funds. Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC). If additional space is needed, provide information in Part IV.

(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds. If none, enter -0-.	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization. If none, enter -0-.
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule C (Form 990 or 990-EZ) 2019

Part II-A Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).

A Check if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures).

B Check if the filing organization checked box A and "limited control" provisions apply.

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
1a Total lobbying expenditures to influence public opinion (grassroots lobbying)															
b Total lobbying expenditures to influence a legislative body (direct lobbying)															
c Total lobbying expenditures (add lines 1a and 1b)															
d Other exempt purpose expenditures															
e Total exempt purpose expenditures (add lines 1c and 1d)															
f Lobbying nontaxable amount. Enter the amount from the following table in both columns.															
<table border="1"> <thead> <tr> <th>If the amount on line 1e, column (a) or (b) is:</th> <th>The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e.</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000.</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000.</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000.</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000.</td> </tr> </tbody> </table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e.	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.	Over \$17,000,000	\$1,000,000.		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e.														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.														
Over \$17,000,000	\$1,000,000.														
g Grassroots nontaxable amount (enter 25% of line 1f)															
h Subtract line 1g from line 1a. If zero or less, enter -0-															
i Subtract line 1f from line 1c. If zero or less, enter -0-															
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?			<input type="checkbox"/> Yes <input type="checkbox"/> No												

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below.

See the separate instructions for lines 2a through 2f.)

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2016	(b) 2017	(c) 2018	(d) 2019	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column (e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).

For each "Yes," response on lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.	(a)		(b)
	Yes	No	Amount
1 During the year, did the filing organization attempt to influence foreign, national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:			
a Volunteers?		X	
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		X	
c Media advertisements?		X	
d Mailings to members, legislators, or the public?		X	
e Publications, or published or broadcast statements?		X	
f Grants to other organizations for lobbying purposes?		X	
g Direct contact with legislators, their staffs, government officials, or a legislative body?		X	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X	
i Other activities?	X		20,159.
j Total. Add lines 1c through 1i			20,159.
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X	
b If "Yes," enter the amount of any tax incurred under section 4912			
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

	Yes	No
1 Were substantially all (90% or more) dues received nondeductible by members?	1	
2 Did the organization make only in-house lobbying expenditures of \$2,000 or less?	2	
3 Did the organization agree to carry over lobbying and political campaign activity expenditures from the prior year?	3	

Part III-B Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) and if either (a) BOTH Part III-A, lines 1 and 2, are answered "No" OR (b) Part III-A, line 3, is answered "Yes."

1 Dues, assessments and similar amounts from members	1	
2 Section 162(e) nondeductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
a Current year	2a	
b Carryover from last year.	2b	
c Total	2c	
3 Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues.	3	
4 If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5 Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV Supplemental Information

Provide the descriptions required for Part I-A, line 1; Part I-B, line 4; Part I-C, line 5; Part II-A (affiliated group list); Part II-A, lines 1 and 2 (see instructions); and Part II-B, line 1. Also, complete this part for any additional information.

SCHEDULE C, PART II-B, LINE 1I

EXPENSE IS A PORTION OF DUES PAID TO THE AMERICAN HOSPITAL ASSOCIATION,

MARYLAND HOSPITAL ASSOCIATION, NATIONAL HOSPICE AND PALLIATIVE CARE

ORGANIZATION, VISITING NURSES ASSOCIATIONS OF AMERICA AND HOSPICE &

PALLIATIVE CARE NETWORK OF MD.

Part IV Supplemental Information *(continued)*

SCHEDULE D (Form 990)

Supplemental Financial Statements

OMB No. 1545-0047

2019

Open to Public Inspection

Department of the Treasury Internal Revenue Service

Complete if the organization answered "Yes" on Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b.

Attach to Form 990.

Go to www.irs.gov/Form990 for instructions and the latest information.

Name of the organization

FREDERICK HEALTH HOSPITAL, INC.

Employer identification number

52-0591612

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts.

Complete if the organization answered "Yes" on Form 990, Part IV, line 6.

Table with 3 columns: Line number, Description, (a) Donor advised funds, (b) Funds and other accounts. Includes questions 1-6 regarding donor advised funds.

Part II Conservation Easements.

Complete if the organization answered "Yes" on Form 990, Part IV, line 7.

Table with 3 columns: Line number, Description, Held at the End of the Tax Year. Includes questions 1-9 regarding conservation easements.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.

Complete if the organization answered "Yes" on Form 990, Part IV, line 8.

Table with 3 columns: Line number, Description, Amount. Includes questions 1a, 1b, 2, 2a, 2b regarding art and historical treasures.

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule D (Form 990) 2019

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets *(continued)*

- 3** Using the organization's acquisition, accession, and other records, check any of the following that make significant use of its collection items (check all that apply):
- a** Public exhibition
 - b** Scholarly research
 - c** Preservation for future generations
 - d** Loan or exchange program
 - e** Other _____
- 4** Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII.
- 5** During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? **Yes** **No**

Part IV Escrow and Custodial Arrangements.

Complete if the organization answered "Yes" on Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

- 1a** Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? **Yes** **No**
- b** If "Yes," explain the arrangement in Part XIII and complete the following table:
- | | Amount |
|--|-----------|
| c Beginning balance | 1c |
| d Additions during the year | 1d |
| e Distributions during the year | 1e |
| f Ending balance | 1f |
- 2a** Did the organization include an amount on Form 990, Part X, line 21, for escrow or custodial account liability? **Yes** **No**
- b** If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided on Part XIII

Part V Endowment Funds.

Complete if the organization answered "Yes" on Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance	976,177.	976,177.	976,177.	976,177.	976,177.
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance	976,177.	976,177.	976,177.	976,177.	976,177.

2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:

- a** Board designated or quasi-endowment ▶ _____ %
- b** Permanent endowment ▶ 100.0000 %
- c** Term endowment ▶ _____ %

The percentages on lines 2a, 2b, and 2c should equal 100%.

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

- (i)** Unrelated organizations
- (ii)** Related organizations

	Yes	No
3a(i)	X	
3a(ii)		X
3b		

b If "Yes" on line 3a(ii), are the related organizations listed as required on Schedule R?

4 Describe in Part XIII the intended uses of the organization's endowment funds.

Part VI Land, Buildings, and Equipment.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		3,893,774.		3,893,774.
b Buildings		266,458,000.	120,763,319.	145,694,681.
c Leasehold improvements		28,897,000.	16,950,986.	11,946,014.
d Equipment		280,304,000.	223,331,894.	56,972,106.
e Other		14,920,614.		14,920,614.
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10c.)				233,427,189.

Part VII Investments - Other Securities.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely held equity interests		
(3) Other _____		
(A)		
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
Total. (Column (b) must equal Form 990, Part X, col. (B) line 12.) . ▶		

Part VIII Investments - Program Related.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

(a) Description of investment	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) INVESTMENTS IN SUBSIDIARIES	19,525,031.	FMV
(2) ASSETS LIMITED AS TO USE	31,792,743.	FMV
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
Total. (Column (b) must equal Form 990, Part X, col. (B) line 13.) . ▶	51,317,774.	

Part IX Other Assets.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11d. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1) RIGHT OF USE ASSETS	19,391,452.
(2) RETROSPECTIVE INSURANCE PREMIUM	9,119,853.
(3) OTHER	3,857,978.
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 15.) ▶	32,369,283.

Part X Other Liabilities.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2) RIGHT OF USE LIABILITIES	23,726,829.
(3) ADVANCES FROM THIRD PARTIES	67,736,045.
(4) PENSION LIABILITY	15,519,577.
(5) INTEREST RATE SWAP	10,404,322.
(6) OTHER	2,991,361.
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.) ▶	120,378,134.

2. Liability for uncertain tax positions. In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FASB ASC 740. Check here if the text of the footnote has been provided in Part XIII

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return.

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

1	Total revenue, gains, and other support per audited financial statements			1
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:			
a	Net unrealized gains (losses) on investments	2a		
b	Donated services and use of facilities	2b		
c	Recoveries of prior year grants	2c		
d	Other (Describe in Part XIII.)	2d		
e	Add lines 2a through 2d			2e
3	Subtract line 2e from line 1			3
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:			
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a		
b	Other (Describe in Part XIII.)	4b		
c	Add lines 4a and 4b			4c
5	Total revenue. Add lines 3 and 4c. (This must equal Form 990, Part I, line 12.)			5

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

1	Total expenses and losses per audited financial statements			1
2	Amounts included on line 1 but not on Form 990, Part IX, line 25:			
a	Donated services and use of facilities	2a		
b	Prior year adjustments	2b		
c	Other losses	2c		
d	Other (Describe in Part XIII.)	2d		
e	Add lines 2a through 2d			2e
3	Subtract line 2e from line 1			3
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:			
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a		
b	Other (Describe in Part XIII.)	4b		
c	Add lines 4a and 4b			4c
5	Total expenses. Add lines 3 and 4c. (This must equal Form 990, Part I, line 18.)			5

Part XIII Supplemental Information.

Provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, lines 2d and 4b; and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

INTENDED USE OF ENDOWMENT FUNDS

SCHEDULE D, PART V, LINE 4

ENDOWMENT FUNDS ARE USED FOR HEALTH CARE SERVICES.

Part XIII Supplemental Information *(continued)*

**SCHEDULE F
(Form 990)**

Statement of Activities Outside the United States

OMB No. 1545-0047

2019

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ **Complete if the organization answered "Yes" on Form 990, Part IV, line 14b, 15, or 16.**
▶ **Attach to Form 990.**
▶ **Go to www.irs.gov/Form990 for instructions and the latest information.**

Name of the organization

FREDERICK HEALTH HOSPITAL, INC.

Employer identification number

52-0591612

Part I **General Information on Activities Outside the United States.** Complete if the organization answered "Yes" on Form 990, Part IV, line 14b.

- 1 **For grantmakers.** Does the organization maintain records to substantiate the amount of its grants and other assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? **Yes** **No**
- 2 **For grantmakers.** Describe in Part V the organization's procedures for monitoring the use of its grants and other assistance outside the United States.

3 **Activities per Region.** (The following Part I, line 3 table can be duplicated if additional space is needed.)

(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in the region	(d) Activities conducted in the region (by type) (such as, fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in the region	(f) Total expenditures for and investments in the region
(1) CENTRAL AMERICA/CARIBBEAN	1.	0.	INVESTMENTS		25,431,557.
(2) CENTRAL AMERICA/CARIBBEAN	1.	0.	PROGRAM SERVICES	SELF INSURANCE	4,283,050.
(3)					
(4)					
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					
(11)					
(12)					
(13)					
(14)					
(15)					
(16)					
(17)					
3a Subtotal	2.				29,714,607.
b Total from continuation sheets to Part I					
c Totals (add lines 3a and 3b)	2.				29,714,607.

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule F (Form 990) 2019

Part II Grants and Other Assistance to Organizations or Entities Outside the United States. Complete if the organization answered "Yes" on Form 990, Part IV, line 15, for any recipient who received more than \$5,000. Part II can be duplicated if additional space is needed.

1	(a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of noncash assistance	(h) Description of noncash assistance	(i) Method of valuation (book, FMV, appraisal, other)
(1)									
(2)									
(3)									
(4)									
(5)									
(6)									
(7)									
(8)									
(9)									
(10)									
(11)									
(12)									
(13)									
(14)									
(15)									
(16)									

2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter ▶ _____

3 Enter total number of other organizations or entities ▶ _____

Part III **Grants and Other Assistance to Individuals Outside the United States.** Complete if the organization answered "Yes" on Form 990, Part IV, line 16.
Part III can be duplicated if additional space is needed.

(a) Type of grant or assistance	(b) Region	(c) Number of recipients	(d) Amount of cash grant	(e) Manner of cash disbursement	(f) Amount of noncash assistance	(g) Description of noncash assistance	(h) Method of valuation (book, FMV, appraisal, other)
(1)							
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							
(8)							
(9)							
(10)							
(11)							
(12)							
(13)							
(14)							
(15)							
(16)							
(17)							
(18)							

Part IV Foreign Forms

- 1 Was the organization a U.S. transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation (see Instructions for Form 926)* Yes No
- 2 Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organization may be required to separately file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts, and/or Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner (see Instructions for Forms 3520 and 3520-A; don't file with Form 990)* Yes No
- 3 Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations (see Instructions for Form 5471)* Yes No
- 4 Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund (see Instructions for Form 8621)* Yes No
- 5 Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships (see Instructions for Form 8865)* Yes No
- 6 Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to separately file Form 5713, International Boycott Report (see Instructions for Form 5713; don't file with Form 990)* Yes No

Part V Supplemental Information

Provide the information required by Part I, line 2 (monitoring of funds); Part I, line 3, column (f) (accounting method; amounts of investments vs. expenditures per region); Part II, line 1 (accounting method); Part III (accounting method); and Part III, column (c) (estimated number of recipients), as applicable. Also complete this part to provide any additional information (see instructions).

PROCEDURES FOR MONITORING USE OF GRANTS

PART I, LINE 2

THE HOSPITAL PROVIDES FUNDING TO A LOCAL COMMUNITY COLLEGE 501(C)(3) IN AN EFFORT TO ENHANCE ITS ALLIED HEALTH PROGRAM. THROUGH THIS PROGRAM A FORMAL EDUCATION FORUM IS ESTABLISHED RESULTING IN FULLY ACCREDITED PROGRAMS THAT MEET THE HOSPITAL'S NEEDS.

SCHEDULE G
(Form 990 or 990-EZ)

Supplemental Information Regarding Fundraising or Gaming Activities

OMB No. 1545-0047

Complete if the organization answered "Yes" on Form 990, Part IV, line 17, 18, or 19, or if the organization entered more than \$15,000 on Form 990-EZ, line 6a.

2019

Department of the Treasury
Internal Revenue Service

▶ Attach to Form 990 or Form 990-EZ.

Open to Public Inspection

▶ Go to www.irs.gov/Form990 for instructions and the latest information.

Name of the organization
FREDERICK HEALTH HOSPITAL, INC.

Employer identification number
52-0591612

Part I Fundraising Activities. Complete if the organization answered "Yes" on Form 990, Part IV, line 17.
Form 990-EZ filers are not required to complete this part.

- 1** Indicate whether the organization raised funds through any of the following activities. Check all that apply.
- | | |
|---|--|
| a <input checked="checked" type="checkbox"/> Mail solicitations | e <input checked="checked" type="checkbox"/> Solicitation of non-government grants |
| b <input checked="checked" type="checkbox"/> Internet and email solicitations | f <input checked="checked" type="checkbox"/> Solicitation of government grants |
| c <input checked="checked" type="checkbox"/> Phone solicitations | g <input checked="checked" type="checkbox"/> Special fundraising events |
| d <input checked="checked" type="checkbox"/> In-person solicitations | |
- 2a** Did the organization have a written or oral agreement with any individual (including officers, directors, trustees, or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services? **Yes** **No**
- b** If "Yes," list the 10 highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least \$5,000 by the organization.

(i) Name and address of individual or entity (fundraiser)	(ii) Activity	(iii) Did fundraiser have custody or control of contributions?		(iv) Gross receipts from activity	(v) Amount paid to (or retained by) fundraiser listed in col. (i)	(vi) Amount paid to (or retained by) organization
		Yes	No			
1 ATTACHMENT 1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
Total					58,500.	

3 List all states in which the organization is registered or licensed to solicit contributions or has been notified it is exempt from registration or licensing.

MD,

Part II Fundraising Events. Complete if the organization answered "Yes" on Form 990, Part IV, line 18, or reported more than \$15,000 of fundraising event contributions and gross income on Form 990-EZ, lines 1 and 6b. List events with gross receipts greater than \$5,000.

		(a) Event #1	(b) Event #2	(c) Other events	(d) Total events
		(event type)	(event type)	(total number)	(add col. (a) through col. (c))
Revenue	1 Gross receipts				
	2 Less: Contributions				
	3 Gross income (line 1 minus line 2)				
Direct Expenses	4 Cash prizes				
	5 Noncash prizes				
	6 Rent/facility costs				
	7 Food and beverages				
	8 Entertainment				
	9 Other direct expenses				
	10 Direct expense summary. Add lines 4 through 9 in column (d) ▶				
	11 Net income summary. Subtract line 10 from line 3, column (d) ▶				

Part III Gaming. Complete if the organization answered "Yes" on Form 990, Part IV, line 19, or reported more than \$15,000 on Form 990-EZ, line 6a.

		(a) Bingo	(b) Pull tabs/instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (add col. (a) through col. (c))
Revenue	1 Gross revenue				
Direct Expenses	2 Cash prizes				
	3 Noncash prizes				
	4 Rent/facility costs				
	5 Other direct expenses				
	6 Volunteer labor	<input type="checkbox"/> Yes _____ % <input type="checkbox"/> No	<input type="checkbox"/> Yes _____ % <input type="checkbox"/> No	<input type="checkbox"/> Yes _____ % <input type="checkbox"/> No	
	7 Direct expense summary. Add lines 2 through 5 in column (d) ▶				
	8 Net gaming income summary. Subtract line 7 from line 1, column (d) ▶				

9 Enter the state(s) in which the organization conducts gaming activities: _____

a Is the organization licensed to conduct gaming activities in each of these states? Yes No

b If "No," explain: _____

10a Were any of the organization's gaming licenses revoked, suspended, or terminated during the tax year? Yes No

b If "Yes," explain: _____

- 11 Does the organization conduct gaming activities with nonmembers? Yes No
- 12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? Yes No
- 13 Indicate the percentage of gaming activity conducted in:

a The organization's facility	13a	%
b An outside facility	13b	%

14 Enter the name and address of the person who prepares the organization's gaming/special events books and records:

Name ▶ _____

Address ▶ _____

- 15 a Does the organization have a contract with a third party from whom the organization receives gaming revenue? Yes No
- b If "Yes," enter the amount of gaming revenue received by the organization ▶ \$ _____ and the amount of gaming revenue retained by the third party ▶ \$ _____.
- c If "Yes," enter name and address of the third party:

Name ▶ _____

Address ▶ _____

16 Gaming manager information:

Name ▶ _____

Gaming manager compensation ▶ \$ _____

Description of services provided ▶ _____

Director/officer Employee Independent contractor

- 17 Mandatory distributions:
 - a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? Yes No
 - b Enter the amount of distributions required under state law to be distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ▶ \$ _____

Part IV Supplemental Information. Provide the explanation required by Part I, line 2b, columns (iii) and (v), and Part III, lines 9, 9b, 10b, 15b, 15c, 16, and 17b, as applicable. Also provide any additional information (see instructions).

990, SCHEDULE G, PART I - HIGHEST PAID FUNDRAISER

NAME AND ADDRESS OF FUNDRAISER	ACTIVITY	DID FUNDRAISER HAVE CUSTODY OR CONTROL OF CONTRIBUTIONS?		GROSS RECEIPTS FROM ACTIVITY	AMOUNT PAID TO (OR RETAINED BY) FUNDRAISER	AMOUNT PAID TO (OR RETAINED BY) ORGANIZATION
		YES	NO			
PRIDE PHILANTHROPY 885 WOODSTOCK ROAD ROSWELL GA 30075-2374	DEV CNSL SV SRVCS		X		58,500.	

**SCHEDULE H
(Form 990)**

Hospitals

OMB No. 1545-0047

2019

Open to Public Inspection

▶ **Complete if the organization answered "Yes" on Form 990, Part IV, question 20.**

▶ **Attach to Form 990.**

▶ **Go to www.irs.gov/Form990 for instructions and the latest information.**

Department of the Treasury
Internal Revenue Service

Name of the organization

FREDERICK HEALTH HOSPITAL, INC.

Employer identification number

52-0591612

Part I Financial Assistance and Certain Other Community Benefits at Cost

	Yes	No
1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	X	
1b If "Yes," was it a written policy?	X	
2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year. <input type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities		
3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year.		
a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free care</i> ? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care: <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ %	X	
b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted care</i> ? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care: <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input checked="" type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %	X	
c If the organization used factors other than FPG in determining eligibility, describe in Part VI the criteria used for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care.		
4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	X	
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	X	
5b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	X	
5c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		X
6a Did the organization prepare a community benefit report during the tax year?	X	
6b If "Yes," did the organization make it available to the public?	X	

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			5,589,261.		5,589,261.	1.57
b Medicaid (from Worksheet 3, column a)			55,158,294.	51,551,092.	3,607,202.	1.01
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total. Financial Assistance and Means-Tested Government Programs			60,747,555.	51,551,092.	9,196,463.	2.58
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			4,582,695.	567,234.	4,015,461.	1.13
f Health professions education (from Worksheet 5)			50,000.		50,000.	.01
g Subsidized health services (from Worksheet 6)			17,743,233.		17,743,233.	4.97
h Research (from Worksheet 7)			455,398.	76,155.	379,243.	.11
i Cash and in-kind contributions for community benefit (from Worksheet 8)			85,780.		85,780.	.02
j Total. Other Benefits			22,917,106.	643,389.	22,273,717.	6.24
k Total. Add lines 7d and 7j			83,664,661.	52,194,481.	31,470,180.	8.82

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule H (Form 990) 2019

Part II Community Building Activities Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 Total						

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1		X
2 Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.	2		
3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3		
4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.			

Section B. Medicare

5 Enter total revenue received from Medicare (including DSH and IME)	5	132,843,259.		
6 Enter Medicare allowable costs of care relating to payments on line 5	6	125,783,072.		
7 Subtract line 6 from line 5. This is the surplus (or shortfall)	7	7,060,187.		
8 Describe in Part VI the extent to which any shortfall reported on line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other				

Section C. Collection Practices

9a Did the organization have a written debt collection policy during the tax year?	9a	X	
b If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b	X	

Part IV Management Companies and Joint Ventures (owned 10% or more by officers, directors, trustees, key employees, and physicians - see instructions)

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size, from largest to smallest - see instructions)

How many hospital facilities did the organization operate during the tax year? 1

Name, address, primary website address, and state license number (and if a group return, the name and EIN of the subordinate hospital organization that operates the hospital facility)

1 FREDERICK HEALTH HOSPITAL, INC.
 400 WEST SEVENTH STREET
 FREDERICK MD 21701
 WWW.FREDERICKHEALTH.ORG
 210005

Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (describe)	Facility reporting group
X	X					X			

Part V Facility Information (continued)

Section B. Facility Policies and Practices

(complete a separate Section B for each of the hospital facilities or facility reporting groups listed in Part V, Section A)

Name of hospital facility or letter of facility reporting group FREDERICK HEALTH HOSPITAL, INC.

Line number of hospital facility, or line numbers of hospital facilities in a facility reporting group (from Part V, Section A): 1

Community Health Needs Assessment

Table with 3 columns: Question, Yes, No. Rows include questions 1 through 12b regarding CHNA requirements, community health needs assessment details, and implementation strategies.

Part V Facility Information (continued)

Financial Assistance Policy (FAP)

Name of hospital facility or letter of facility reporting group FREDERICK HEALTH HOSPITAL, INC.

		Yes	No
Did the hospital facility have in place during the tax year a written financial assistance policy that:			
13	Explained eligibility criteria for financial assistance, and whether such assistance included free or discounted care? If "Yes," indicate the eligibility criteria explained in the FAP:	X	
a	<input checked="" type="checkbox"/> Federal poverty guidelines (FPG), with FPG family income limit for eligibility for free care of <u>200.0000</u> % and FPG family income limit for eligibility for discounted care of <u>300.0000</u> %		
b	<input checked="" type="checkbox"/> Income level other than FPG (describe in Section C)		
c	<input type="checkbox"/> Asset level		
d	<input checked="" type="checkbox"/> Medical indigency		
e	<input type="checkbox"/> Insurance status		
f	<input type="checkbox"/> Underinsurance status		
g	<input type="checkbox"/> Residency		
h	<input checked="" type="checkbox"/> Other (describe in Section C)		
14	Explained the basis for calculating amounts charged to patients?	X	
15	Explained the method for applying for financial assistance? If "Yes," indicate how the hospital facility's FAP or FAP application form (including accompanying instructions) explained the method for applying for financial assistance (check all that apply):	X	
a	<input checked="" type="checkbox"/> Described the information the hospital facility may require an individual to provide as part of his or her application		
b	<input checked="" type="checkbox"/> Described the supporting documentation the hospital facility may require an individual to submit as part of his or her application		
c	<input checked="" type="checkbox"/> Provided the contact information of hospital facility staff who can provide an individual with information about the FAP and FAP application process		
d	<input checked="" type="checkbox"/> Provided the contact information of nonprofit organizations or government agencies that may be sources of assistance with FAP applications		
e	<input type="checkbox"/> Other (describe in Section C)		
16	Was widely publicized within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply):	X	
a	<input checked="" type="checkbox"/> The FAP was widely available on a website (list url): <u>SEE PART V, SECTION C</u>		
b	<input checked="" type="checkbox"/> The FAP application form was widely available on a website (list url): <u>SEE PART V, SECTION C</u>		
c	<input checked="" type="checkbox"/> A plain language summary of the FAP was widely available on a website (list url): <u>SEE PART V, SECTION C</u>		
d	<input checked="" type="checkbox"/> The FAP was available upon request and without charge (in public locations in the hospital facility and by mail)		
e	<input checked="" type="checkbox"/> The FAP application form was available upon request and without charge (in public locations in the hospital facility and by mail)		
f	<input checked="" type="checkbox"/> A plain language summary of the FAP was available upon request and without charge (in public locations in the hospital facility and by mail)		
g	<input checked="" type="checkbox"/> Individuals were notified about the FAP by being offered a paper copy of the plain language summary of the FAP, by receiving a conspicuous written notice about the FAP on their billing statements, and via conspicuous public displays or other measures reasonably calculated to attract patients' attention		
h	<input checked="" type="checkbox"/> Notified members of the community who are most likely to require financial assistance about availability of the FAP		
i	<input checked="" type="checkbox"/> The FAP, FAP application form, and plain language summary of the FAP were translated into the primary language(s) spoken by Limited English Proficiency (LEP) populations		
j	<input checked="" type="checkbox"/> Other (describe in Section C)		

Part V Facility Information (continued)

Billing and Collections

Name of hospital facility or letter of facility reporting group FREDERICK HEALTH HOSPITAL, INC.

		Yes	No
17	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained all of the actions the hospital facility or other authorized party may take upon nonpayment?	X	
18	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP:		
a	<input type="checkbox"/> Reporting to credit agency(ies)		
b	<input type="checkbox"/> Selling an individual's debt to another party		
c	<input type="checkbox"/> Deferring, denying, or requiring a payment before providing medically necessary care due to nonpayment of a previous bill for care covered under the hospital facility's FAP		
d	<input type="checkbox"/> Actions that require a legal or judicial process		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		
f	<input checked="" type="checkbox"/> None of these actions or other similar actions were permitted		
19	Did the hospital facility or other authorized party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged:		X
a	<input type="checkbox"/> Reporting to credit agency(ies)		
b	<input type="checkbox"/> Selling an individual's debt to another party		
c	<input type="checkbox"/> Deferring, denying, or requiring a payment before providing medically necessary care due to nonpayment of a previous bill for care covered under the hospital facility's FAP		
d	<input type="checkbox"/> Actions that require a legal or judicial process		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		
20	Indicate which efforts the hospital facility or other authorized party made before initiating any of the actions listed (whether or not checked) in line 19 (check all that apply):		
a	<input checked="" type="checkbox"/> Provided a written notice about upcoming ECAs (Extraordinary Collection Action) and a plain language summary of the FAP at least 30 days before initiating those ECAs (if not, describe in Section C)		
b	<input checked="" type="checkbox"/> Made a reasonable effort to orally notify individuals about the FAP and FAP application process (if not, describe in Section C)		
c	<input checked="" type="checkbox"/> Processed incomplete and complete FAP applications (if not, describe in Section C)		
d	<input checked="" type="checkbox"/> Made presumptive eligibility determinations (if not, describe in Section C)		
e	<input checked="" type="checkbox"/> Other (describe in Section C)		
f	<input type="checkbox"/> None of these efforts were made		

Policy Relating to Emergency Medical Care

21	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that required the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	X	
If "No," indicate why:			
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Section C)		
d	<input type="checkbox"/> Other (describe in Section C)		

Part V Facility Information *(continued)*

Charges to Individuals Eligible for Assistance Under the FAP (FAP-Eligible Individuals)

Name of hospital facility or letter of facility reporting group FREDERICK HEALTH HOSPITAL, INC.

		Yes	No
22	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care.		
a	<input type="checkbox"/> The hospital facility used a look-back method based on claims allowed by Medicare fee-for-service during a prior 12-month period		
b	<input type="checkbox"/> The hospital facility used a look-back method based on claims allowed by Medicare fee-for-service and all private health insurers that pay claims to the hospital facility during a prior 12-month period		
c	<input type="checkbox"/> The hospital facility used a look-back method based on claims allowed by Medicaid, either alone or in combination with Medicare fee-for-service and all private health insurers that pay claims to the hospital facility during a prior 12-month period		
d	<input checked="" type="checkbox"/> The hospital facility used a prospective Medicare or Medicaid method		
23	During the tax year, did the hospital facility charge any FAP-eligible individual to whom the hospital facility provided emergency or other medically necessary services more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Section C.		X
24	During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Section C.		X

Schedule H (Form 990) 2019

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

INPUT FROM COMMUNITY REPRESENTATIVES

SCHEDULE H, PART V, SECTION B, LINE 5

THE CHNA WAS CONDUCTED BY THE FREDERICK COUNTY HEALTH CARE COALITION, WITH SUPPORT FROM FREDERICK HEALTH HOSPITAL AND FREDERICK COUNTY HEALTH DEPARTMENT. THE HEALTH CARE COALITION IS LED BY A COMMUNITY ADVISORY BOARD COMPRISED OF ORGANIZATIONS AND INDIVIDUALS WITH EXPERTISE IN HEALTH SERVICE DELIVERY, EVALUATION AND PUBLIC HEALTH. A PRIMARY RESPONSIBILITY OF THE COALITION IS TO CONDUCT PERIODIC HEALTH STATUS ASSESSMENTS USING APPROPRIATE PLANNING METHODOLOGIES AND SUBJECT MATTER EXPERTS TO GUIDE THE PLANNING PROCESS.

THE CHNA PROCESS INCLUDED THE COLLECTION OF QUANTITATIVE AND QUALITATIVE DATA TO UNDERSTAND THE HEALTH HABITS, PRIORITIES AND ACCESS TO CARE BARRIERS OF THE COMMUNITY AT LARGE, AND AMONG VULNERABLE AND HEALTH DISPARITY POPULATIONS WITHIN FREDERICK COUNTY. THE DATA COLLECTION PROCESS WAS DESIGNED TO SOLICIT INPUT FROM REPRESENTATIVE SAMPLES OF DEMOGRAPHICS, GEOGRAPHIC DISTRIBUTION AND TARGETED POPULATIONS. PUBLIC INPUT WAS OBTAINED THROUGH THREE FORMAL MECHANISMS - COMMUNITY SURVEY, POPULATION-SPECIFIC FOCUS GROUPS AND ADVOCATES FOR HEALTH EQUITY FORUM.

THE COMMUNITY SURVEY WAS CONDUCTED VIA WEB, WITH AN OPTION TO COMPLETE A WRITTEN SURVEY FOR THOSE WITHOUT INTERNET ACCESS. THE SURVEY CONSISTED OF 30 QUESTIONS, WHICH INCLUDED DEMOGRAPHICS, PERCEPTIONS OF COMMUNITY HEALTH STATUS, ACCESS TO HEALTH CARE, PERSONAL HEALTH CONDITION, EXERCISE AND HEALTHY EATING HABITS AND HEALTH SCREENING & PREVENTION BEHAVIORS. THE

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

WEB SURVEY WAS AVAILABLE IN ENGLISH AND SPANISH; WRITTEN SURVEYS WERE AVAILABLE IN ENGLISH, SPANISH AND VIETNAMESE. THE SELECTION OF LANGUAGE OPTIONS WAS BASED ON COUNTY DEMOGRAPHICS AS REPORTED TO LOCAL GOVERNMENT. PARTNER ORGANIZATIONS WERE ENGAGED TO PROMOTE THE SURVEY AND TO PROVIDE ASSISTANCE TO THOSE WHO HAD LITERACY OR LANGUAGE BARRIERS. PRESS RELEASES, AS WELL AS WEB AND SOCIAL MEDIA OUTLETS WERE ALSO UTILIZED TO PROMOTE THE SURVEY TO THE COMMUNITY, YIELDING A STATISTICALLY RELEVANT SAMPLE OF 1657 RESPONSES. OVERALL, SURVEY RESPONDENTS REFLECTED THE RACIAL AND ETHNICITY COMPOSITION OF THE POPULATION OF FREDERICK COUNTY.

FOUR FOCUS GROUPS WERE CONDUCTED ON POPULATIONS FOR WHICH THERE WAS HEALTH DISPARITY OUTCOME DATA. TWO OF THE FOCUS GROUP POPULATIONS WERE IDENTIFIED IN THE PRIOR CHNA AS HAVING ACCESS CONCERNS. THE FOCUS GROUPS INCLUDED AFRICAN-AMERICAN RESIDENTS, SPANISH SPEAKING RESIDENTS, NORTHERN FREDERICK COUNTY RESIDENTS AND HOMELESS/LOW INCOME RESIDENTS. THE GOAL OF THE FOCUS GROUP WAS TO GAIN INSIGHT ON HOW TO MORE EFFECTIVE PREVENT OR DELIVERY SERVICES/INTERVENTIONS WHICH WOULD REDUCE HEALTH DISPARITIES. FOCUS GROUP PARTICIPANTS WERE RECRUITED BY PARTNER ORGANIZATIONS THAT PROVIDE DIRECT SERVICES OR SUPPORT THE TARGET POPULATION. IN GENERAL, FOCUS GROUP PARTICIPANTS WERE LOWER INCOME, OLDER, AND OF POORER HEALTH THAN THE COMMUNITY POPULATION.

FINALLY, A HEALTH EQUITY SURVEY WAS CONDUCTED TO CAPTURE FURTHER INFORMATION ON POTENTIAL VULNERABLE OR OTHER SUB-POPULATIONS IN THE COMMUNITY FOR WHICH HEALTH OUTCOME DATA WAS LIMITED. EIGHT RESPONDENTS

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

PARTICIPATED IN THE HEALTH EQUITY SURVEY WITH INSIGHTS ON ACCESS TO CARE AND SUGGESTIONS FOR IMPROVING THE HEALTH OF THE COMMUNITIES THEY SERVE. THE ADVOCATES REPRESENTED ALICE (ASSET LIMITED, INCOME CONSTRAINED, EMPLOYED), DISABLED, HISPANIC, HOMELESS, LBGTQ, SENIORS AND YOUTH POPULATIONS.

SCHEDULE H, PART V, SECTION B, LINE 6B

THE CHNA WAS CONDUCTED BY THE FREDERICK COUNTY HEALTH CARE COALITION, WITH SUPPORT FROM FREDERICK HEALTH HOSPITAL AND THE FREDERICK COUNTY HEALTH DEPARTMENT. THE COALITION IS A NONPROFIT ORGANIZATION FORMED IN 2006 IN REPOSE TO A NEED TO COORDINATE EFFORTS TO ADDRESS BARRIERS TO HEALTH CARE ACCESS. THE COALITION IS LED BY A COMMUNITY ADVISORY BOARD COMPRISED OF ORGANIZATIONS AND INDIVIDUALS WITH EXPERTISE IN HEALTH SERVICE DELIVERY, EVALUATION AND PUBLIC HEALTH ISSUES. FREDERICK HEALTH HOSPITAL IS A FOUNDING MEMBER OF THE COALITION AND SERVES ON THE BOARD. A PRIMARY RESPONSIBILITY OF THE COALITION IS TO CONDUCT PERIODIC HEALTH STATUS ASSESSMENTS, AND TO CONVENE INTERESTED PARTIES AND THE PUBLIC TO ESTABLISH A LOCAL HEALTH IMPROVEMENT PLAN TO ADDRESS THE TOP HEALTH PRIORITIES.

A HEALTH IMPROVEMENT PRIORITY PLANNING SUMMIT WAS HELD ON JANUARY 15, 2019 WITH MORE THAN 120 COMMUNITY PARTICIPANTS. THE SUMMIT INCLUDED REPRESENTATIVES OF COMMUNITY ORGANIZATIONS, BUSINESS, GOVERNMENT, ADVOCATES AND CITIZENS WHO PROVIDED INPUT INTO THE CHNA PRIORITIES.

PARTICIPANTS INCLUDED:

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

- HEALTH CARE (INCLUDING PROVIDERS OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES) - BROOK LANE HEALTH SERVICES, MISSION OF MERCY, CONTINUUM RECOVERY CENTER, MENTAL HEALTH ASSOCIATION OF FREDERICK COUNTY, MARYLAND HEROIN AWARENESS ADVOCATES

- LOCAL GOVERNMENT/LAW ENFORCEMENT - OFFICE OF THE FREDERICK COUNTY EXECUTIVE, FREDERICK COUNTY GOVERNMENT (INCLUDING CITIZENS SERVICES, FIRE AND RESCUE SERVICES, FAMILY PARTNERSHIP, CHILDREN AND FAMILIES, SUSTAINABILITY AND ENVIRONMENTAL RESOURCES, PARKS AND RECREATION) AND FREDERICK COUNTY SHERIFF

- SOCIAL SERVICES ORGANIZATIONS - FREDERICK COMMUNITY ACTION AGENCY (ALSO A FEDERALLY QUALIFIED HEALTH CENTER), FREDERICK COUNTY DEPARTMENT OF SOCIAL SERVICES

- NONPROFIT ORGANIZATIONS - ASIAN AMERICAN CENTER OF FREDERICK, BOYS&GIRLS CLUB OF FREDERICK, CHILDREN OF INCARCERATED PARENTS PARTNERSHIP, COMMUNITY COLLABORATION CENTER, CORE SERVICE AGENCY, THE FREDERICK CENTER., THE RANCH, WELLS HOUSE., YMCA OF FREDERICK COUNTY

- EDUCATIONAL INSTITUTIONS - FREDERICK COUNTY PUBLIC SCHOOLS, HOOD COLLEGE, STUDENT HOMELESS INITIATIVE PARTNERSHIP, UNIVERSITY OF MARYLAND EXTENSION SERVICE

- PHILANTHROPY - THE UNITED WAY OF FREDERICK COUNTY, THE COMMUNITY FOUNDATION OF FREDERICK, HOPE FOUNDATION, ZETA PHI BETA SORORITY, DELTA SIGMA THETA SORORITY

- BUSINESS - FREDERICK COUNTY CHAMBER OF COMMERCE, LEIDOS BIOMEDICAL RESEARCH, MASTERS SPECIALTY PHARMACY, THE FREDERICK NEWS POST,

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

RESTORATION FAMILY CHIROPRACTIC

- RELIGIOUS ORGANIZATIONS - SETON CENTER, THE RELIGIOUS COALITION FOR EMERGENCY NEEDS, THE CHURCH OF THE NAZARENE, CROSSED BRIDGES,
- SENIOR CARE - ADVOCATES FOR THE AGING IN FREDERICK COUNTY, FREDERICK COUNTY SENIOR SERVICES DIVISION, SENIOR SERVICES ADVISORY BOARD
- COMMUNITY REPRESENTATIVES - EAST FREDERICK RISING, GIRLS ON THE RUN MID-MARYLAND, AND GENERAL PUBLIC.

SCHEDULE H, PART V, SECTION B, LINE 7A

YES, THE CHNA IS WIDELY AVAILABLE TO THE PUBLIC ON THE HEALTH SYSTEM WEBSITE

([HTTPS://WWW.FREDERICKHEALTH.ORG/DOCUMENTS/CONTENT/2019-FREDERICK-COUNTY-CHNA-FINAL-5.1.19.PDF](https://www.frederickhealth.org/documents/content/2019-frederick-county-chna-final-5.1.19.pdf)), FREDERICK COUNTY HEALTH DEPARTMENT WEBSITE AND LIVEWELL FREDERICK, A COMMUNITY HEALTH WEBSITE. PUBLIC FORUMS WERE CONDUCTED IN SEVERAL LOCATIONS WITHIN FREDERICK COUNTY TO REVIEW THE STUDY FINDINGS AND TO ADDRESS PUBLIC QUESTIONS. ADDITIONALLY, THE INTERIM CHNA REPORT WAS POSTED ON THE HEALTH SYSTEM AND FREDERICK COUNTY HEALTH DEPARTMENT WEBSITES FOR PUBLIC COMMENT PRIOR TO FINALIZATION.

SCHEDULE H, PART V, SECTION B, LINE 10A

[HTTPS://WWW.FREDERICKHEALTH.ORG/DOCUMENTS/CONTENT/FMH-CHNA-IMPLEMENTATION-STRATEGY-SIGNED-9-24-19.PDF](https://www.frederickhealth.org/documents/content/fmh-chna-implementation-strategy-signed-9-24-19.pdf)

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

SCHEDULE H, PART V, SECTION B, LINE 11

THREE CHNA PRIORITIES WERE IDENTIFIED IN THE 2019 ASSESSMENT:

- CHRONIC CONDITIONS
- BEHAVIORAL HEALTH
- ADVERSE CHILDHOOD EXPERIENCES AND INFANT HEALTH

FREDERICK HEALTH HOSPITAL HAS ADOPTED IMPLEMENTATION STRATEGIES AROUND THESE INITIATIVES, AS DESCRIBED BELOW.

STRATEGIES RELATED TO CHRONIC CONDITIONS FOCUS ON TWO TARGET OPPORTUNITIES:

1. CHRONIC DISEASE SCREENING IN DISPARITY COMMUNITIES. THE GOAL IS TO INCREASE EARLY SCREENING IN POPULATIONS EXPERIENCING A HEALTH DISPARITY TO REDUCE THE INCIDENCE OF, AND MORTALITY FROM, CHRONIC DISEASES. ACTIVITIES PLANNED TO MEET THIS GOAL ARE TO INCREASE THE NUMBER OF PERSONS SCREENED AND TREATED FOR COLORECTAL CANCER AND HYPERTENSION; ENGAGE PROVIDERS AT COMMUNITY AWARENESS EVENTS; AND, INCREASE LONG TERM PREVENTIVE FOLLOW-UP RATES IN DISPARITY COMMUNITIES.
2. HEALTHY EATING AND LIVING PRACTICES. THE GOAL OF THIS INITIATIVE IS TO REDUCE UNHEALTHY BEHAVIORS AND INCREASE HEALTHY BEHAVIOR CHOICES AS EVIDENCED BY THE 2020 YOUTH RISK BEHAVIOR SURVEY (YRBS) IN FREDERICK COUNTY. TO MEET THIS OBJECTIVE FREDERICK COUNTY YOUTH AND FAMILIES WILL DEMONSTRATE HEALTHY HEATING AND BEHAVIOR PRACTICES BY PARTICIPATING IN ACTIVITIES OFFERED THROUGH LIVEWELL FREDERICK'S 5-2-10 PROGRAM.

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

ESTABLISHMENT OF EFFECTIVE, TARGETED RESPONSES TO BEHAVIORAL HEALTH NEEDS THROUGH IMPLEMENTATION OF DATA DRIVEN PLANNING AND TREATMENT PROCESSES WAS THE FOCUS OF COLLABORATIVE EFFORTS BETWEEN FREDERICK HEALTH HOSPITAL AND ITS COMMUNITY PARTNERS. AN AREA OF FOCUS SPECIFIC TO FREDERICK HEALTH HOSPITAL WAS IMPLEMENTING A MEDICATION ASSISTED TREATMENT (MAT) PROTOCOL FOR OPIOID USE DISORDER IN THE EMERGENCY DEPARTMENT. EFFORTS TO ESTABLISH THIS PROTOCOL INCLUDED DEVELOPMENT OF PATIENT SCREENING TOOLS TO GUIDE TREATMENT WITH BUPRENOPHRINE(SUBOXONE) AND TO ESTABLISH RELEATIONSHIPS WITH COMMUNITY TREATMENT PROGRAMS TO CONTINUE THE THERAPY ONCE THE INDIVIDUAL IS DICHARGED BACK INTO THE COMMUNITY. THIS PROGRAM WILL BE PILOTED IN 2021 WITH FULL IMPLEMENTATION IN 2022.

PROMOTION OF HEALTH PRACTICES TO DIMINISH ADVERSE CHILDHOOD EVENTS (ACES) WAS THE FOCUS OF THE FINAL IMPLEMENTATION STRATEGY. ACTIVITIES WERE DESIGNED TO ESTABLISH A BASELEINE AWARENESS OF CHILDHOOD TRAUMA AND ITS LIFELONG EFFECT ON THE INDIVIDUAL IN THE HEALTH COMMUNTIY. EARLY INTERVENTION MEASURES DESIGNED TO DIMINISH THE PREVALENCE OF CHILDHOOD TRAUMA INCLUDED THE ESTABLISHMENT OF A FACILITATED PERINATAL MOOD DISORDER SUPPORT GROUP AT FREDERICK HEALTH HOSPITAL. POST PARTUM WOMEN WHO WERE IDENTIFIED AS AT RISK FOR DEVELOPING PREGNANCY RELATED MENTAL HEALTH DISORDERS WERE INVITED TO PARTICIPATE IN THIS ACTIVITY. IN ADDITION TO DECREASING THE FREQUENCY OF CHILDHOOD TRAUMA IN CHILDREN BORN TO THESE MOTHERS, IT ALSO SUPPORTS SUICIDE PREVENTION, AN IDENTIFIED BEHAVIORAL HEALTH NEED.

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

FREDERICK HEALTH HOSPITAL ALSO SUPPORTS INFANT HEALTH THROUGH A COLLABORATION WITH OUR COMMUNITY PARTNERS AT THE FREDERICK COUNTY HEALTH DEPARTMENT IN A PROJECT TO IMPLEMENT UNIVERSAL NEWBORN HOME VISITS FOR ALL INFANTS RESIDING IN FREDERICK COUNTY.

OTHER SIGNIFICANT HEALTH NEEDS IDENTIFIED THROUGH THIS PROCESS INCLUDED BREAST AND ORAL CANCERS, MELANOMA, HIV, SEXUALLY TRANSMITTED INFECTIONS, AND ALCOHOL AND TOBACCO USE. THESE HEALTH ISSUES WERE NOT SELECTED AS HEALTH PRIORITIES FOR THE LOCAL HEALTH IMPROVEMENT PLAN, WHICH IS THE COMMUNITY-WIDE IMPLEMENTATION PLAN ASSOCIATED WITH THE CHNA. HOWEVER, FREDERICK HEALTH HOSPITAL DOES PROVIDE DIAGNOSIS AND TREATMENT OF PATIENTS WITH CANCER, HIV, SEXUALLY TRANSMITTED DISEASE AND ALCOHOL AND SUBSTANCE EMERGENCY DETOXIFICATION. IN ADDITION, THE HOSPITAL OFFERS SMOKING CESSATION CLASSES AND ACCESS TO NICOTINE RELACEMENT THERAPY TO DIMINISH TOBACCO USE.

SCHEDULE H, PART V, SECTION B, LINE 13H
STATE REGULATIONS.

SCHEDULE H, PART V, SECTION B, LINE 16A

[HTTPS://WWW.FREDERICKHEALTH.ORG/DOCUMENTS/CONTENT/FINANCIAL-ASSISTANCE-POLICY-FN-100.PDF](https://www.frederickhealth.org/documents/content/financial-assistance-policy-fn-100.pdf)

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

SCHEDULE H, PART V, SECTION B, LINE 16B

[HTTPS://WWW.FREDERICKHEALTH.ORG/DOCUMENTS/CONTENT/FREDERICKHEALTH_FA_327A.](https://www.frederickhealth.org/documents/content/frederickhealth_fa_327a)

PDF

SCHEDULE H, PART V, SECTION B, LINE 16C

[HTTPS://WWW.FREDERICKHEALTH.ORG/DOCUMENTS/CONTENT/FINANCIAL-ASSISTANCE_08_](https://www.frederickhealth.org/documents/content/financial-assistance_08_20_web.pdf)

[20_WEB.PDF](https://www.frederickhealth.org/documents/content/financial-assistance_08_20_web.pdf)

SCHEDULE H, PART V, SECTION B, LINE 16J

FHH REVIEWS THE FINANCIAL ASSISTANCE POLICY (FAP) AND THE COMMUNICATION METHODOLOGY WE EMPLOY ON A REGULAR BASIS TO MAKE SURE OUR PATIENTS HAVE EASY ACCESS TO THIS INFORMATION IN A VARIETY OF FORMATS AND THAT IT IS CULTURALLY AND LINGUISTICALLY SENSITIVE.

WE REVIEW THE FAP TO MAKE SURE THE READING COMPREHENSION LEVEL IS APPROPRIATE FOR OUR AUDIENCE AND WE PROVIDE ENGLISH AND SPANISH VERSIONS TO MEET THE NEEDS OF OUR CBSA. WE HAVE SERVICES AVAILABLE TO PROVIDE ANY OTHER LANGUAGES WHEN NEEDED.

THE FAP IS SHOWN ON OUR WEBSITE

([HTTPS://WWW.FREDERICKHEALTH.ORG/ABOUT/BILLING-FINANCIAL-ASSISTANCE/](https://www.frederickhealth.org/about/billing-financial-assistance/)) AND

IS OFFERED TO PATIENTS AS PART OF THE INTAKE PROCESS AT TIME OF

REGISTRATION IN THE HOSPITAL AND IN THE EMERGENCY DEPARTMENT. OUR BILLING

STATEMENTS REFERENCE OUR FINANCIAL ASSISTANCE POLICY AND INCLUDE THE URL

FOR THE ONLINE VERSION. THE BILLING STATEMENTS ARE BEING UPDATED DURING

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

FY18 TO INCLUDE DETAILED EXPLANATION OF THE FAP.

FHH PROVIDES ASSISTANCE TO OUR PATIENTS WHO NEED TO APPLY FOR GOVERNMENT BENEFITS WHEN APPROPRIATE. MOST COMMON EXAMPLES ARE "SELF-PAY" INPATIENTS WHO ADMIT THROUGH THE EMERGENCY DEPARTMENT AND PATIENTS WHO COME TO OUR PRENATAL CLINIC. WE HAVE A DEPARTMENT OF SOCIAL SERVICES REPRESENTATIVE ONSITE AT OUR PRENATAL CLINIC TO WORK DIRECTLY WITH THE PATIENTS.

ALL PATIENTS RECEIVE THE PATIENT INFORMATION SHEET, AVAILABLE IN ENGLISH AND SPANISH, WHICH INCLUDES INFORMATION ABOUT FINANCIAL ASSISTANCE.

SCHEDULE H, PART V, SECTION B, LINE 20E

PATIENTS WITH BALANCES GREATER THAN \$10,000 RECEIVE A SPECIAL LETTER STATING THEY MAY QUALIFY FOR CHARITY AND REQUESTS THAT THEY CONTACT THE HOSPITAL.

Part V Facility Information *(continued)*

Section D. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
 (list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year? 7

Name and address	Type of Facility (describe)
1 FREDERICK HEALTH TOLL HOUSE 501 WEST SEVENTH STREET FREDERICK MD 21701	OUTPATIENT HEALTH CARE FACILITY
2 FREDERICK HEALTH MOUNT AIRY 504 E RIDGEVILLE BLVD MOUNT AIRY MD 21771	OUTPATIENT HEALTH CARE
3 FREDERICK HEALTH ROSEHILL 1562 OPPOSUMTOWN PIKE FREDERICK MD 21702	OUTPATIENT HEALTH CARE
4 FREDERICK HEALTH CRESTWOOD 7211 BANK COURT FREDERICK MD 21703	OUTPATIENT HEALTH CARE
5 FREDERICK HEALTH ASPEN RIDGE 163 THOMAS JOHNSON DRIVE, SUITE A FREDERICK MD 21702	OUTPATIENT REHABILITATION
6 FREDERICK HEALTH URBANA 3430 WORTHINGTON BLVD URBANA MD 21704	OUTPATIENT HEALTHCARE CENTER
7 FREDERICK HEALTH HOSPICE, INC. 516 TRAIL AVENUE FREDERICK MD 21701	HOSPICE CARE ORGANIZATION
8 	
9 	
10 	

Part VI Supplemental Information

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CRITERIA FOR DETERMINING ELIGIBILITY FOR FREE OR DISCOUNTED CARE

SCHEDULE H, PART I, LINE 3C

IF THE PATIENT/GUARANTOR'S MONETARY ASSETS ARE ABOVE \$20,000, LESS THAN 100% FINANCIAL ASSISTANCE MAY BE PROVIDED. THE FINANCIAL ASSISTANCE COMMITTEE WILL REVIEW THESE CASES AND DETERMINE THE FINANCIAL ASSISTANCE AMOUNT.

COMMUNITY BENEFIT REPORT - RELATED ORGANIZATION

SCHEDULE H, PART I, LINE 6

THE 2019 COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) WAS CONDUCTED BY THE FREDERICK COUNTY HEALTH CARE COALITION (COALITION) TO IDENTIFY HEALTH ISSUES IN FREDERICK COUNTY AND TO PROVIDE CRITICAL INFORMATION TO THOSE IN A POSITION TO TAKE POSITIVE STEPS THAT WILL IMPACT THE HEALTH OF AREA RESIDENTS.

THE COALITION IS A NONPROFIT ORGANIZATION FORMED IN 2006 IN RESPONSE TO A NEED TO COORDINATE EFFORTS TO ADDRESS BARRIERS TO HEALTH CARE ACCESS. THE COALITION'S MISSION IS TO PROMOTE QUALITY HEALTH CARE IN FREDERICK COUNTY

Part VI Supplemental Information

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THROUGH COLLECTIVE IMPACT EFFORTS THAT ENGAGE LOCAL ORGANIZATIONS AND
CITIZENRY. A CORE RESPONSIBILITY OF THE COALITION IS THE COMPLETION OF A
PERIODIC ASSESSMENT THAT INFORMS AND ENGAGES THE COMMUNITY IN HEALTH
IMPROVEMENT INITIATIVES. THE ASSESSMENT PROCESS IS REPEATED EVERY THREE
YEARS TO REFLECT CHANGING LOCAL CONDITIONS.

TEXT OF BAD DEBT EXPENSE FOOTNOTE

SCHEDULE H, PART III, LINE 4

BAD DEBT VALUATION WAS CALCULATED USING THE COST-TO-CHARGE RATIO DERIVED
FROM WORKSHEET 2. WE ESTIMATE APPROXIMATELY 7.5% OF BAD DEBT EXPENSE IS
ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER OUR FINANCIAL ASSISTANCE POLICY.
WE CONTINUE OUR EFFORTS TO QUALIFY PATIENTS FOR FREE OR REDUCED CARE.

MEDICARE COSTING METHODOLOGY

SCHEDULE H, PART III, LINE 8

MEDICARE PS&R REPORTS USED AS SOURCE OF COSTS AND PAYMENTS.

APPLICATION OF COLLECTION PRACTICES TO THOSE QUALIFYING FOR FINANCIAL

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ASSISTANCE

SCHEDULE H, PART III, LINE 9B

PATIENTS WHO QUALIFY FOR CHARITY CARE OR FINANCIAL ASSISTANCE ARE SPECIFICALLY EXCLUDED FROM THE COLLECTION PROCESS.

NEEDS ASSESSMENT

SCHEDULE H, PART VI, LINE 2

THE CHNA PLANNING PROCESS WAS LED BY AN AD-HOC PLANNING COMMITTEE COMPRISED OF HEALTH CARE COALITION BOARD MEMBERS AND SENIOR STAFF FROM FREDERICK HEALTH HOSPITAL AND FREDERICK COUNTY HEALTH DEPARTMENT. THIS GROUP HAD OVERSIGHT RESPONSIBILITY FOR THE CHNA PROCESS AND REVIEWED THE PLANNING COMPONENTS AS THEY WERE ACCOMPLISHED. ADDITIONALLY, A CHNA DATA SUB-COMMITTEE WAS FORMED TO CONDUCT THE DETAILED DATA ANALYSIS, WHICH WASTHEN REPORTED TO THE CHNA PLANNING COMMITTEE.

THE 2019 CHNA INCLUDED COLLATION OF DATA FROM PRIMARY (QUALITATIVE) AND SECONDARY (QUANTITATIVE) SOURCES. FOUR INPUTS WERE IDENTIFIED FOR INCLUSION IN THE DATA ANALYSIS. THREE OF THE INPUTS PROVIDE INSIGHTS

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ABOUT THE PERSPECTIVE AND PRIORITY OF HEALTH ISSUES AND SOCIAL DETERMINANTS BY THE FREDERICK COUNTY POPULATION. THE FOURTH INPUT INCLUDES HEALTH OUTCOME INDICATORS GATHERED FROM RELIABLE PUBLIC RESOURCES, AND WHERE POSSIBLE, INCLUDES DATA ON HEALTH DISPARITIES.

THE CHNA PROCESS BEGAN WITH A COMMUNITY SURVEY AVAILABLE TO ANY ADULT (OVER 18 YEARS OF AGE) FREDERICK COUNTY RESIDENT. THE SURVEY WAS DESIGNED TO ASSESS RESPONDENTS' PERSONAL HEALTH STATUS, HEALTH RISK BEHAVIORS, AND PREVENTIVE HEALTH PRACTICES. THE SURVEY WAS DISTRIBUTED IN THREE PRIMARY LANGUAGES USED BY COUNTY RESIDENTS. THE NEXT STEP IN THE CHNA PROCESS FOCUSED ON INPUT FROM VULNERABLE AND KNOWN HEALTH DISPARITY POPULATIONS AS GATHERED VIA FOUR FOCUS GROUPS. THE FOCUS GROUPS WERE CONDUCTED BY A QUALITATIVE RESEARCH FIRM AND THE GOAL WAS TO DELVE DEEPER INTO HEALTH BEHAVIORS AND ACCESS ISSUES IN THE TARGETED POPULATIONS, IN ORDER TO LEARN HOW TO MORE EFFECTIVELY TAILOR SERVICES AND INTERVENTIONS THAT WILL RESULT IN A REDUCTION IN HEALTH DISPARITIES. FINALLY, A HEALTH EQUITY SURVEY WAS DEVELOPED TO IDENTIFY ISSUES AND OPPORTUNITIES IN COUNTY POPULATIONS FOR WHICH THERE WAS INSUFFICIENT DATA. THE ADVOCATES

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REPRESENTED ALICE (ASSET LIMITED, INCOME CONSTRAINED, EMPLOYED),

DISABLED, HISPANIC, HOMELESS, LGBTQ, SENIORS, AND YOUTH POPULATIONS.

SECONDARY DATA WAS GATHERED ON 45 HEALTH INDICATORS. THE DATA WAS SOURCED FROM FEDERAL AND STATE VITAL STATISTICS, HEALTH REPORTS AND DATABASES. HEALTH OUTCOME DATA WAS REVIEWED FOR THE MOST RECENT TIME PERIOD, AS WELL AS TRENDS OVER TIME THAT WOULD INDICATE CHANGES IN CONDITION.

THE QUALITATIVE AND QUANTITATIVE INFORMATION COLLECTIVELY INFORMS LOCAL ADVOCACY EFFORTS AND CAN BE USED FOR PROGRAM PLANNING. COMMUNITY SURVEY AND SECONDARY DATA WERE COMPILED FOR THE PRIORITIZATION COMPONENT OF THE CHNA PROCESS. A MODIFIED PRIORITIZATION MATRIC METHOD WAS USED FOR PRIORITIZATION OF THE DATA ACROSS SEVERAL CRITERIA IN ORDER TO NARROW DOWN THE INFORMATION INTO THE TOP HEALTH CONCERNS. THE INFORMATION WAS ALSO SYNTHESIZED INTO A CONSUMER-FRIENDLY PRESENTATION FOR PUBLIC INPUT THROUGH A LOCAL HEALTH SETTING SUMMIT. SUMMIT PARTICIPANTS, REPRESENTING MORE THAN 120 ORGANIZATIONS AND PUBLIC, NARROWED DOWN THE HEALTH CONCERNS INTO THE TOP THREE PRIORITIES, OF WHICH TWO WERE CONTINUATIONS

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OF PRIOR CHNA PRIORITIES.

THE CHNA PROCESS DID INCLUDE A REVIEW OF FOUR OTHER RECENT COMMUNITY ASSESSMENTS. THE ASSESSMENTS INCLUDED THE COUNTY COMPREHENSIVE PLAN, A REGIONAL REPORT ON HEALTH INEQUITY, A HUMAN SERVICES ASSESSMENT AND COUNTY ECONOMIC ASSESSMENT. FINDINGS AND ISSUES EMPHASIZED IN THESE ASSESSMENTS WERE SIMILAR TO CONCERNS EXPRESSED BY THE PUBLIC IN THE CHNA PROCESS. THESE ASSESSMENTS WERE CONSIDERED MOST USEFUL FOR THE COMMUNITY HEALTH PRIORITY WORKGROUPS AS THEY IDENTIFY TARGET POPULATIONS AND DESIGN IMPLEMENTATION STRATEGIES.

SCHEDULE H, PART VI, LINE 4

FREDERICK HEALTH HOSPITAL'S SERVICE AREA IS DEFINED IN A WRITTEN AGREEMENT WITH THE MARYLAND HEALTH SERVICES COST REVIEW COMMISSION, THE DESIGNATED STATE ENTITY CHARGED WITH OVERSIGHT OF COMMUNITY BENEFIT. THE SERVICE AREA IS DETERMINED BASED ON HISTORICAL FACILITY UTILIZATION BY ZIP CODE. THE SERVICE AREA DEFINITION FOR FREDERICK HEALTH HOSPITAL IS ALL ZIP CODES IN FREDERICK COUNTY. THEREFORE, FOR CHNA PLANNING PURPOSES,

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FREDERICK COUNTY IS THE POPULATION SERVED.

FREDERICK HEALTH HOSPITAL IS THE ONLY HOSPITAL IN FREDERICK COUNTY.

PATIENT ORIGIN DATA INDICATE THAT THE HOSPITAL SERVES ALL GEOGRAPHIC LOCATIONS WITHIN FREDERICK COUNTY. THE MOST VULNERABLE POPULATIONS (AS IDENTIFIED BY INCOME AND OTHER SOCIAL DETERMINANT INDICATORS) IS LOCATED IN FREDERICK CITY, WHICH IS IN THE HOSPITAL'S PRIMARY SERVICE AREA. THE IMMEDIATE AREA ADJACENT TO THE HOSPITAL'S PHYSICAL LOCATION IS A MEDICALLY UNDERSERVED AREA AS DESIGNATED BY HRSA. THE SECONDARY SERVICE AREA INCLUDES ADDITIONAL VULNERABLE POPULATIONS IN THE NORTHERN (THURMONT) AND SOUTHERN (BRUNSWICK) AREAS OF FREDERICK COUNTY.

UNITED STATES CENSUS BUREAU AND MARYLAND VITAL STATISTICS PROVIDE A DEMOGRAPHIC PROFILE OF FREDERICK COUNTY RESIDENTS AS OF JULY 1, 2019:

- POPULATION OF 259,547
- 50.7% OF RESIDENTS ARE FEMALE
- 80.7% ARE WHITE
- MEDIAN HOUSEHOLD INCOME OF \$97,730 PER YEAR

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- 5.7% OF HOUSEHOLDS ARE BELOW THE FEDERAL POVERTY GUIDELINES
- 5.6% OF COUNTY RESIDENTS ARE UNINSURED
- 15% OF RESIDENTS ARE MEDICAID RECIPIENTS.
- 14.8% OF RESIDENTS ARE OVER THE AGE OF 65
- 92.5 % HAVE GRADUATED FROM HIGH SCHOOL AND 41.4 % OF RESIDENTS HAVE BACHELOR 'S DEGREES.

PROMOTION OF COMMUNITY HEALTH

SCHEDULE H, PART VI, LINE 5

DURING FY 2020, FREDERICK HEALTH HOSPITAL PROMOTED COMMUNITY HEALTH THROUGH THE FOLLOWING INITIATIVES:

- CARE TRANSITIONS PROGRAM - THIS PROGRAM PROVIDES INTENSIVE COMMUNITY-BASED CARE MANAGEMENT SERVICES TO INDIVIDUALS WITH CHRONIC CONDITIONS AND THOSE WITH LIMITED ACCESS TO CARE, LOW HEALTH LITERACY AND OTHER SOCIAL DETERMINANTS OF HEALTH TO REDUCE UNNECESSARY HOSPITAL UTILIZATION AND IMPROVE INDIVIDUAL HEALTH STATUS. BY PROVIDING INFRASTRUCTUE TO SUPPORT SOME OF THE MOST CHRONICALLY ILL, FRAGILE AND

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SOCIALLY COMPLEX PATIENT POPULATIONS, HOSPITAL READMISSION RATES CAN BE REDUCED. HISTORICALLY, THESE PATIENTS RECEIVED LITTLE OR NO GUIDANCE RELATIVE TO FOLLOW-UP WITH PHYSICIANS, FILLING AND TAKING THEIR PRESCRIBED MEDICATIONS, AND MAKING APPOINTMENT FOR OTHER SERVICES. PATIENTS IDENTIFIED AS HIGH EMERGENCY DEPARTMENT UTILIZERS, AND/OR PATIENTS RETURNING TO THE HOSPITAL WITHIN 30 DAYS OF DISCHARGE MEET WITH AN RN OR SOCIAL WORK CASE MANAGER IN AN EFFORT TO UNDERSTAND WHY THEY HAVE RETURNED TO THE HOSPITAL FOR CARE. AN INDIVIDUALIZED COMPREHENSIVE POST DISCHARGE PLAN IS CREATED TO MEET THE SPECIFIC PATIENT NEEDS. THE SERVICES OFTEN INCLUDE FINANCIAL SUPPORT OF MEDICATIONS, TRANSPORTATION AND VARIOUS OTHER MEDICAL AND SOCIAL SUPPORT SERVICES IN THE COMMUNITY. IN FY2020 3,229 UNIQUE PATIENTS RECEIVED HOME/COMMUNITY BASED INTERVENTIONS FROM THE CARE TRANSITIONS TEAM, FOR A TOTAL OF 15,921 ENCOUNTERS. THE HEALTH CARE TEAM PROVIDING SERVICES TO THESE INDIVIDUALS CONSISTS OF REGISTERED NURSES, SOCIAL WORKERS, PHARMACISTS, DIETITIANS AND A NURSE PRACTITIONER.

- COLORECTAL CANCER SCREENING - THIS PROGRAM FOCUSED ON IDENTIFIED

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DISPARITY COMMUNITIES WITHIN FREDERICK COUNTY, PRIMARILY THE AFRICAN-AMERICAN COMMUNITY. THE GOAL OF THE PROGRAM WAS TO INCREASE THE NUMBER OF PERSONS SCREENED AND TREATED FOR COLORECTAL CANCER THROUGH ENGAGEMENT OF COMMUNITY PROVIDERS AND HOSTING AWARENESS EVENTS IN THE COMMUNITY TO RESULT IN AN OVERALL INCREASE IN LONG TERM FOLLOW-UP RATES IN DISPARITY COMMUNITIES. ENGAGEMENT OF COMMUNITY PHYSICIANS IN THE PROCESS WAS A KEY COMPONENT OF THE PROGRAM AND INCLUDED EDUCATION ON CURRENT CANCER SCREENING RECOMMENDATIONS, LOCAL DISPARITY DATA, CULTURAL BARRIERS/BIAS AND LOCAL REFERRAL PROCESS AND TREATMENT OPTIONS. PERIODIC SCREENING OF "AT RISK" INDIVIDUALS IS VITAL; IN ORDER TO DO THIS, A BASELINE POPULATION WAS ESTABLISHED IN FY2020 THROUGH INITIAL SCREENING. FUTURE EFFORTS INCLUDE THE PROVISION OF PERIODIC EDUCATION AND SCREENING TO HIGH RISK INDIVIDUALS AS A MEANS OF TRACKING THESE PEOPLE OVER TIME. A GOAL OF 250 INITIAL SCREENINGS WAS SET FOR FY20; THE GOAL WAS EXCEEDED WITH 265 SCREENINGS COMPLETED. TO DATE, NO CANCER DIAGNOSIS HAVE BEEN MADE, BUT HIGH RISK INDICATORS SUCH AS PRE-CANCEROUS LESIONS AND POLYPS HAVE BEEN IDENTIFIED. THESE PATIENTS ARE TARGETED FOR CONTINUED FOLLOW-UP IN THE COMING YEAR.

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- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

- HEALTHY EATING - 5-2-1-0 IS A BEHAVIOR AWARENESS APPROACH TO MAKING KEY LIFESTYLE CHANGES THAT WILL LEAD TO HEALTHY EATING HABITS. THIS PROGRAM FOCUSES ON INCREASING FRUIT AND VEGETABLE CONSUMPTION, REDUCING INGESTION OF SUGAR ADDED BEVERAGES, REDUCING RECREATION SCREEN TIME AND INCREASING PHYSICAL ACTIVITY. A DESIGNATED 5-2-1-0 COORDINATOR IS A GRANT FUNDED EMPLOYEE OF FREDERICK HEALTH HOSPITAL AND WORKS WITH THE FREDERICK COUNTY SCHOOL HEALTH COUNCIL TO IMPLEMENT THE PROGRAM THROUGH THE FREDERICK COUNTY PUBLIC SCHOOL SYSTEM. ACTIVITIES INCLUDE ESTABLISHING STUDENT WELLNESS GOALS AT EACH SCHOOL, ONGOING EDUCATION EVENTS AND ONLINE RESOURCES FOR STUDENTS, PARENTS AND EDUCATORS. DURING FY2020, 700 INDIVIDUALS WERE ENGAGED IN THE 5-2-1-0 PROGRAM.

- PHYSICIAN SUBSIDIES - FREDERICK HEALTH HOSPITAL CONTRACTS FOR HOSPITAL-BASED PHYSICIANS COVERAGE FOR SPECIALIZED CARE. CONTRACTED SERVICES INCLUDE INTENSIVE CARE, OBSTETRICAL/LABOR CARE, NEONATAL INTENSIVE CARE NEUROLOGY/STROKE CARE, INPATIENT PEDIATRICS, PEDIATRIC OPHTHALMOLOGY, ANESTHESIA, EMERGENCY MEDICINE AND INTERVENTIONAL

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

CARDIOLOGY. THE DEMAND FOR THESE SERVICES CANNOT BE MET BY PROVIDERS IN THE FREDERICK COMMUNITY, AS THERE ARE NO COMMUNITY BASED PROVIDERS.

- THERE IS AN INSUFFICIENT NUMBER OF PRIMARY CARE PROVIDERS IN FREDERICK COUNTY WHO CARE FOR PATIENTS THAT REQUIRE ACUTE CARE SERVICES. THE MAJORITY OF PRIMARY CARE PHYSICIANS IN THE COMMUNITY DO NOT MAINTAIN HOSPITALPRIVILEGES; THEREFORE, THE HOSPITAL CONTRACTS FOR HOSPITALIST SERVICES FOR RESIDENTS WHO REQUIRE ACUTE CARE DIAGNOSIS AND MANAGEMENT.

- FREDERICK HEALTH HOSPITAL ALSO CONTRACTS WITH SPECIALITY PROVIDERS TO PROVIDE EMERGENCY CARE COVERAGE ON A 24/7 BASIS. CONTRACTUAL SERVICES INCLUDES ANESTHESIOLOGY, BARIATRIC SURGERY, CARDIOLOGY, ENT, GASTROENTEROLOGY, GENERAL DENISTRY, GENERAL SURGERY, HEMATOLOGY/ONCOLOGY, INTERVENTIONAL CARDIOLOGY, NEPHROLOGY, NEUROLOGY,OPHTHALMOLOGY, ORAL/MAXILLO FACIAL, ORTHOPEDICS, PEDIATRICS, PLASTIC SURGERY, PULMONARY MEDICINE, UROLOGY, VASCULAR SURGEY AND NEUROSURGERY. WITHOUT SUBSIDIES FROM THE ORGANIZATION TO COMPENSATE PROVIDERS FOR THIS COVERAGE, MEDICAL PRACTICES WOULD NOT BE ABLE TO RECRUIT A SUFFICIENT NUMBER OF PERSONNEL

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

TO PROVIDE COVERAGE TO THE EMERGENCY DEPARTMENT.

AFFILIATED HEALTH CARE SYSTEM

SCHEDULE H, PART VI, LINE 6

FREDERICK HEALTH HOSPITAL, INC. ('FHH') IS A PRIVATE, NON-STOCK, NOT-FOR-PROFIT 501(C)(3) MARYLAND CORPORATION ORGANIZED IN 1897. AS OF JULY 1, 2011, FREDERICK HEALTH, INC. (F.K.A. FREDERICK REGIONAL HEALTH SYSTEM) BECAME THE PARENT CORPORATION UNDER WHICH THE ENTITIES DESCRIBED BELOW EXIST AND OPERATE.

FREDERICK HEALTH, INC. IS GOVERNED BY A SIXTEEN MEMBER BOARD OF DIRECTORS. THE BOARD MEETS MONTHLY, WITH ELECTION OF OFFICERS AND MEMBERS OCCURRING AT THE SEPTEMBER MEETING. MUCH OF THE BOARD'S WORK IS ACCOMPLISHED THROUGH STANDING COMMITTEES, INCLUDING THE EXECUTIVE, FINANCE, GOVERNANCE, EXECUTIVE COMPENSATION, JOINT CONFERENCE (WITH MEDICAL STAFF), PLANNING, AND HOSPITAL PERFORMANCE REVIEW COMMITTEES.

FREDERICK HEALTH HOSPITAL IS A 298-BED ACUTE CARE HOSPITAL LOCATED IN

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

FREDERICK, MARYLAND, APPROXIMATELY 50 MILES WEST OF BALTIMORE AND 45 MILES NORTHWEST OF WASHINGTON D. C. THE HOSPITAL OPENED IN 1902 AND IS CURRENTLY THE ONLY ACUTE CARE HOSPITAL IN FREDERICK COUNTY AND THE ONLY ACUTE CARE HOSPITAL WITHIN A 25-MILE RADIUS OF THE CITY OF FREDERICK.

THE MAIN CAMPUS OF THE HOSPITAL IS LOCATED ON AN APPROXIMATELY 15.85-ACRE SITE IN FREDERICK, MARYLAND. THE TOTAL SQUARE FOOTAGE OF THE HOSPITAL IS APPROXIMATELY 596,000 SQUARE FEET. FHH'S HOSPITAL-BASED AND OFF-SITE OUTPATIENT SERVICES ACCOUNT FOR OVER 350,000 VISITS ANNUALLY INCLUDING HOME HEALTH SERVICES, WHICH MAKES APPROXIMATELY 35,000 VISITS PER YEAR. IN ADDITION, HOSPITAL-BASED HOSPICE SERVICES HANDLE APPROXIMATELY 15,000 VISITS PER YEAR.

FREDERICK HEALTH, INC. IS THE PARENT CORPORATION FOR FREDERICK HEALTH MEDICAL GROUP, LLC, A PHYSICIAN LED ENTERPRISE COMPOSED OF THE FOLLOWING HEALTH SYSTEM OWNED PRACTICES FREDERICK HEALTH, INC. PROVIDES A FULL RANGE OF ACUTE CARE SERVICES INCLUDING: MEDICINE, SURGERY, OBSTETRICS, GYNECOLOGY, PEDIATRICS, INTENSIVE CARE, CORONARY CARE, INTERVENTIONAL

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

CARDIOLOGY, PRIMARY STROKE PROGRAM, WOUND CARE, JOINT REPLACEMENT PROGRAM, CYBERKNIFE RADIOSURGERY CENTER, PSYCHIATRIC CARE, MEDICAL FITNESS, WELLNESS PROGRAM/CENTER AND EMERGENCY SERVICES. IN ADDITION, FREDERICK HEALTH, INC. PROVIDES A COMPREHENSIVE RANGE OF OUTPATIENT SERVICES, INCLUDING: EMERGENCY MEDICINE, OUTPATIENT SURGERY, HOME HEALTH, RADIATION THERAPY, MRI, PET AND CT SCANNING, MEDICAL ONCOLOGY, AND COMPREHENSIVE WOMEN'S SERVICES. THROUGH THE SATELLITE LOCATIONS AND OUTPATIENT CENTERS, THE HEALTH SYSTEM PROVIDES: URGENT CARE, LABORATORY, DIAGNOSTIC RADIOLOGY, AMBULATORY SURGERY, VASCULAR IMAGING, REHABILITATION SERVICES, PAIN AND PALLIATIVE CARE.

STATE FILING OF COMMUNITY BENEFIT REPORT

SCHEDULE H, PART VI, LINE 7

MARYLAND.

**SCHEDULE I
(Form 990)**

**Grants and Other Assistance to Organizations,
Governments, and Individuals in the United States**

OMB No. 1545-0047

2019

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

Complete if the organization answered "Yes" on Form 990, Part IV, line 21 or 22.

▶ Attach to Form 990.

▶ Go to www.irs.gov/Form990 for the latest information.

Name of the organization

FREDERICK HEALTH HOSPITAL, INC.

Employer identification number

52-0591612

Part I General Information on Grants and Assistance

- Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? Yes No
- Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States.

Part II Grants and Other Assistance to Domestic Organizations and Domestic Governments. Complete if the organization answered "Yes" on Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

1 (a) Name and address of organization or government	(b) EIN	(c) IRC section (if applicable)	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of noncash assistance	(h) Purpose of grant or assistance
(1) FREDERICK COMMUNITY COLLEGE 7932 OPOSSUMTOWN PIKE FREDERICK, MD 21702	52-0743590	501(C)(3)	50,000.				SUPPORT OF ALLIED HEALTH PROGRAM
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							
(8)							
(9)							
(10)							
(11)							
(12)							

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table ▶ 1.

3 Enter total number of other organizations listed in the line 1 table ▶

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule I (Form 990) (2019)

Part III Grants and Other Assistance to Domestic Individuals. Complete if the organization answered "Yes" on Form 990, Part IV, line 22.
Part III can be duplicated if additional space is needed.

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance
1					
2					
3					
4					
5					
6					
7					

Part IV Supplemental Information. Provide the information required in Part I, line 2, Part III, column (b); and any other additional information.

PROCEDURES FOR MONITORING THE USE OF GRANTS

FORM 990, SCHEDULE I, PART I, LINE 2

THE HOSPITAL PROVIDES FUNDING TO A LOCAL COMMUNITY COLLEGE 501(C)(3) IN AN EFFORT TO ENHANCE ITS ALLIED HEALTH PROGRAM. THROUGH THIS PROGRAM A FORMAL EDUCATION FORUM IS ESTABLISHED RESULTING IN FULLY ACCREDITED PROGRAMS THAT MEET THE HOSPITAL'S NEEDS.

**SCHEDULE J
(Form 990)**

Department of the Treasury
Internal Revenue Service

Name of the organization

FREDERICK HEALTH HOSPITAL, INC.

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

- ▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 23.
- ▶ Attach to Form 990.
- ▶ Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2019

**Open to Public
Inspection**

Employer identification number

52-0591612

Part I Questions Regarding Compensation

1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed on Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.

- | | |
|--|--|
| <input type="checkbox"/> First-class or charter travel | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account | <input type="checkbox"/> Personal services (such as maid, chauffeur, chef) |

b If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain

2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, and officers, including the CEO/Executive Director, regarding the items checked on line 1a?

3 Indicate which, if any, of the following the organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III.

- | | |
|---|---|
| <input checked="" type="checkbox"/> Compensation committee | <input checked="" type="checkbox"/> Written employment contract |
| <input checked="" type="checkbox"/> Independent compensation consultant | <input checked="" type="checkbox"/> Compensation survey or study |
| <input type="checkbox"/> Form 990 of other organizations | <input checked="" type="checkbox"/> Approval by the board or compensation committee |

4 During the year, did any person listed on Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:

- a** Receive a severance payment or change-of-control payment?
 - b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?
 - c** Participate in, or receive payment from, an equity-based compensation arrangement?
- If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.

Only section 501(c)(3), 501(c)(4), and 501(c)(29) organizations must complete lines 5-9.

5 For persons listed on Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:

- a** The organization?
 - b** Any related organization?
- If "Yes" on line 5a or 5b, describe in Part III.

6 For persons listed on Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:

- a** The organization?
 - b** Any related organization?
- If "Yes" on line 6a or 6b, describe in Part III.

7 For persons listed on Form 990, Part VII, Section A, line 1a, did the organization provide any nonfixed payments not described on lines 5 and 6? If "Yes," describe in Part III.

8 Were any amounts reported on Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III.

9 If "Yes" on line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
1a		
1b		
2		
3		
4a		X
4b	X	
4c		X
5a		X
5b		X
6a		X
6b		X
7		X
8		X
9		

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule J (Form 990) 2019

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported on Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that aren't listed on Form 990, Part VII.

Note: The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual.

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation in column (B) reported as deferred on prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
1	MANUEL A. CASIANO SVP POPULATION HEALTH	(i) 449,118.	99,373.	910.	53,547.	12,787.	615,735.	58,324.
	(ii) 0.	0.	0.	0.	0.	0.	0.	0.
2	CHERYL L. CIOFFI SVP COO AND CNO	(i) 377,252.	90,890.	910.	47,722.	16,100.	532,874.	0.
	(ii) 0.	0.	0.	0.	0.	0.	0.	0.
3	HANNAH R. JACOBS VP FINANCE	(i) 211,455.	47,229.	910.	9,549.	12,288.	281,431.	0.
	(ii) 0.	0.	0.	0.	0.	0.	0.	0.
4	THOMAS A. KLEINHANZL PRESIDENT AND CEO	(i) 1,110,217.	311,366.	910.	329,811.	19,688.	1,771,992.	298,762.
	(ii) 0.	0.	0.	0.	0.	0.	0.	0.
5	MICHELLE K. MAHAN SR VP AND CFO	(i) 603,728.	137,320.	910.	63,996.	13,314.	819,268.	87,490.
	(ii) 0.	0.	0.	0.	0.	0.	0.	0.
6	CRAIG F. ROSENDALE VP COMPLIANCE	(i) 205,591.	44,340.	910.	10,480.	13,141.	274,462.	0.
	(ii) 0.	0.	0.	0.	0.	0.	0.	0.
7	DONALD R. SCHILLING VP AMBULATORY SERVICES	(i) 250,936.	52,256.	910.	12,914.	13,141.	330,157.	0.
	(ii) 0.	0.	0.	0.	0.	0.	0.	0.
8	JENNIFER G. TEETER VP CLINICAL INTEGRATION	(i) 242,767.	52,988.	910.	11,329.	13,281.	321,275.	0.
	(ii) 0.	0.	0.	0.	0.	0.	0.	0.
9	DUSTIN M. SIMONSON ONCOLOGY MEDICAL PHYSICIST	(i) 224,888.	152.	237.	11,542.	15,412.	252,231.	0.
	(ii) 0.	0.	0.	0.	0.	0.	0.	0.
10	HEATHER R. KIRBY VP INTEGRATED CARE DELIVERY	(i) 202,884.	40,146.	910.	6,174.	15,769.	265,883.	0.
	(ii) 0.	0.	0.	0.	0.	0.	0.	0.
11	MARY D. BARTON VP-BUSINESS DEVELOP. & STRAT.	(i) 258,081.	59,738.	910.	8,555.	6,952.	334,236.	0.
	(ii) 0.	0.	0.	0.	0.	0.	0.	0.
12	CARLOS T. GRAVERAN DIRECTOR OF HOSPICE	(i) 178,864.	26,217.	195.	4,183.	15,236.	224,695.	0.
	(ii) 0.	0.	0.	0.	0.	0.	0.	0.
13	MICHAEL G. MCLANE JR VP SUPPORT SVCS	(i) 171,281.	40,668.	910.	8,812.	15,367.	237,038.	0.
	(ii) 0.	0.	0.	0.	0.	0.	0.	0.
14	ROBIN R. ROSE VP DEVELOPMENT	(i) 153,078.	33,776.	910.	7,935.	15,360.	211,059.	0.
	(ii) 0.	0.	0.	0.	0.	0.	0.	0.
15	DIANE M. MCFARLAND VP PT CARE SVCS	(i) 204,892.	38,718.	910.	10,290.	811.	255,621.	0.
	(ii) 0.	0.	0.	0.	0.	0.	0.	0.
16	JACKIE L. RICE VP CHIEF INFORMATION OFFICER	(i) 230,608.	52,948.	0.	11,570.	1,180.	296,306.	0.
	(ii) 0.	0.	0.	0.	0.	0.	0.	0.

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported on Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that aren't listed on Form 990, Part VII.

Note: The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual.

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation in column (B) reported as deferred on prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
1 CHRISTOPHER M. BUMBAUGH VP HUMAN RESOURCES	(i)	248,340.	30,449.	910.	12,335.	15,500.	307,534.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
2 KATHY J. WEISHAAR VP MEDICAL AFFAIRS	(i)	161,928.	17,820.	0.	0.	8,946.	188,694.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
3 JAMIE B. WHITE VP QUALITY ASSURANCE PATIENT	(i)	160,720.	12,810.	743.	8,903.	12,963.	196,139.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
4 MARY A. MCDONALD MEDICAL DIR HOSPICE	(i)	322,443.	10,000.	195.	14,000.	14,509.	361,147.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
5 JENNIFER D. HULVEY DIRECTOR REIMBURSEMENT	(i)	171,965.	16,597.	195.	9,646.	15,133.	213,536.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
6 MIHIR JANI, M.D. DIRECTOR/PHYSICIAN	(i)	0.	0.	0.	0.	0.	0.	0.
	(ii)	406,263.	60,000.	325.	14,000.	13,826.	494,414.	0.
7 CHANGAN XIE ONCOLOGY MEDICAL PHYSICIST	(i)	185,426.	152.	228.	8,965.	1,274.	196,045.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
8	(i)							
	(ii)							
9	(i)							
	(ii)							
10	(i)							
	(ii)							
11	(i)							
	(ii)							
12	(i)							
	(ii)							
13	(i)							
	(ii)							
14	(i)							
	(ii)							
15	(i)							
	(ii)							
16	(i)							
	(ii)							

Part III Supplemental Information

Provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

SCHEDULE J, PART I, LINE 3

THE EXECUTIVE COMPENSATION PROGRAM IS DESIGNED TO CARRY OUT THE HEALTH SYSTEM MISSION, TO ACHIEVE THE CHARITABLE PURPOSE, TO ATTRACT, RETAIN, MOTIVATE AND REWARD EXECUTIVE MANAGEMENT, AND TO MAINTAIN A COMPETITIVE POSITION WITH PEER ORGANIZATIONS IN THE REGION. OVERSIGHT OF THE EXECUTIVE COMPENSATION PROGRAM IS PROVIDED BY THE EXECUTIVE COMPENSATION COMMITTEE OF THE BOARD, COMPOSED OF THE BOARD CHAIRMAN, VICE CHAIRMAN, IMMEDIATE PRECEDING CHAIRMAN, CHAIRMAN OF THE FINANCE COMMITTEE AND THE CHAIRMAN OF THE GOVERNANCE COMMITTEE. IN ADDITION TO THE BOARD'S COMPENSATION COMMITTEE, WE UTILIZED AN EXTERNAL INDEPENDENT CONSULTANT AND MARKET SURVEYS FOR ALL EXECUTIVE MANAGEMENT COMPENSATION. THE PRESIDENT AND CEO HAS A WRITTEN EMPLOYMENT CONTRACT.

SCHEDULE J, PART I, LINE 4B

FREDERICK HEALTH HOSPITAL HAS ONE 457(F) NON-QUALIFIED DEFERRED COMPENSATION PLAN FOR CERTAIN MEMBERS OF SENIOR MANAGEMENT. UNDER THE PLAN, THEY MAY CONTRIBUTE AMOUNTS FROM THEIR COMPENSATION TO THE PLAN AND MAY RECEIVE A DISCRETIONARY EMPLOYER CONTRIBUTION. EMPLOYEES ARE FULLY VESTED IN ALL EMPLOYEE CONTRIBUTIONS TO THE PLAN. VESTING IN EMPLOYER

Part III Supplemental Information

Provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

CONTRIBUTIONS OCCURS IN ACCORDANCE WITH THE UNDERLYING PLAN DOCUMENTS.

ALL ASSETS OF THE PLAN ARE HELD IN A SEPARATE TRUST. TOTAL HOSPITAL

CONTRIBUTIONS TO THIS PLAN WERE AS FOLLOWS:

MICHELLE K. MAHAN \$30,942

THOMAS A. KLEINHANZL \$296,811

MANUEL CASIANO \$20,547

CHERYL CIOFFI \$14,722

**SCHEDULE K
(Form 990)**

Supplemental Information on Tax-Exempt Bonds

OMB No. 1545-0047

▶ **Complete if the organization answered "Yes" on Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.**

2019

▶ **Attach to Form 990.**

**Open to Public
Inspection**

▶ **Go to www.irs.gov/Form990 for instructions and the latest information.**

Department of the Treasury
Internal Revenue Service

Name of the organization
FREDERICK HEALTH HOSPITAL, INC.

Employer identification number
52-0591612

Part I Bond Issues

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pooled financing	
						Yes	No	Yes	No	Yes	No
A MARYLAND HEALTH & HIGHER EDU FACILITIES AUTH 2020A	52-0936091	57421CAD6	06/25/2020	66,050,074.	SEE PART VI		X		X		X
B MARYLAND HEALTH & HIGHER EDU FACILITIES AUTH 2012A	52-0936091	574218LY7	12/05/2012	96,240,000.	SEE PART VI		X		X		X
C MARYLAND HEALTH & HIGHER EDU FACILITIES AUTH 2017B	52-0936091		06/15/2017	60,645,000.	SEE PART VI		X		X		X
D											

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired			6,405,000.		9,855,000.			
2	Amount of bonds legally defeased			86,290,000.					
3	Total proceeds of issue	66,050,074.		108,345,805.		60,645,000.			
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds			1,648,756.		352,666.			
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	1,159,217.		1,203,561.					
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	11,869,923.		37,200,000.					
11	Other spent proceeds	24,890,857.		68,293,488.		60,292,334.			
12	Other unspent proceeds	28,130,077.							
13	Year of substantial completion			2014		2017			
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a refunding issue of tax-exempt bonds (or, if issued prior to 2018, a current refunding issue)?	X		X		X			
15	Were the bonds issued as part of a refunding issue of taxable bonds (or, if issued prior to 2018, an advance refunding issue)?		X		X		X		
16	Has the final allocation of proceeds been made?		X	X		X			
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X			

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule K (Form 990) 2019

Part III Private Business Use		FREDERICK HEALTH HOSPITAL, INC.							
		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X		X		X		
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X	X		X			
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X	X		X			
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?			X		X			
c	Are there any research agreements that may result in private business use of bond-financed property?		X	X		X			
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?			X		X			
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶		%	.6400	%	.2700	%		%
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶		%		%		%		%
6	Total of lines 4 and 5		%	.6400	%	.2700	%		%
7	Does the bond issue meet the private security or payment test?		X		X		X		
8a	Has there been a sale or disposition of any of the bond-financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of		%		%		%		%
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X		X		X			

Part IV Arbitrage									
		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate?		X		X		X		
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?	X					X		
b	Exception to rebate?				X	X			
c	No rebate due?								
	If "Yes" to line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?		X		X	X			

Part IV Arbitrage (continued)

Table with 8 columns (A-D, Yes/No) and 7 rows of questions regarding hedge and GIC investments.

Part V Procedures To Undertake Corrective Action

Table with 8 columns (A-D, Yes/No) and 1 row regarding corrective action procedures.

Part VI Supplemental Information. Provide additional information for responses to questions on Schedule K. See instructions

Multiple horizontal lines for providing supplemental information.

Part VI Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions) (Continued)

DESCRIPTION OF PURPOSE

SCHEDULE K, PART I, COLUMN F, LINE A

MARYLAND HEALTH & HIGHER EDU FACILITIES AUTH 2020A: CURRENT REFUND 2017A
BONDS ON 6/25/2020, FINANCE 2020 PROJECT AND PAY ISSUANCE COSTS.

SCHEDULE K, PART I, COLUMN F, LINE B

MARYLAND HEALTH & HIGHER EDU FACILITIES AUTH 2012A: FINANCE 2012 PROJECT
AND CURRENT REFUND 2002 BONDS WHICH FUNDED THE 2002 PROJECT.

MARYLAND HEALTH & HIGHER EDU FACILITIES AUTH 2017B: TO REFUND THE 2012B
BONDS.

SCHEDULE K, PART II, COLUMN B, LINE 3

DIFFERENCE BETWEEN ISSUE PRICE AND TOTAL PROCEEDS MARYLAND HEALTH &
HIGHER ED AUTHORITY 2012A: ORIGINAL ISSUE PREMIUM OF \$3,989,854 AND
PREVIOUSLY TRUSTEED HELD FUNDS OF \$8,115,951.

SCHEDULE K, PART III, LINE 9

THE ORGANIZATION HAS WRITTEN POLICIES AND PROCEDURES IN PLACE TO ENSURE
TAX EXEMPT BOND POST ISSUANCE COMPLIANCE.

SCHEDULE L
(Form 990 or 990-EZ)

Transactions With Interested Persons

OMB No. 1545-0047

2019

Open To Public Inspection

Department of the Treasury
Internal Revenue Service

▶ **Complete if the organization answered "Yes" on Form 990, Part IV, line 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.**

▶ **Attach to Form 990 or Form 990-EZ.**

▶ **Go to www.irs.gov/Form990 for instructions and the latest information.**

Name of the organization

FREDERICK HEALTH HOSPITAL, INC.

Employer identification number

52-0591612

Part I Excess Benefit Transactions (section 501(c)(3), section 501(c)(4), and 501(c)(29) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b.

1	(a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
				Yes	No
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					

- 2 Enter the amount of tax incurred by the organization managers or disqualified persons during the year under section 4958 ▶ \$ _____
- 3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization, ▶ \$ _____

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a or Form 990, Part IV, line 26; or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22.

1	(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?		(i) Written agreement?	
				To	From			Yes	No	Yes	No	Yes	No
				(1)									
(2)													
(3)													
(4)													
(5)													
(6)													
(7)													
(8)													
(9)													
(10)													
Total ▶							\$						

Part III Grants or Assistance Benefiting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

1	(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule L (Form 990 or 990-EZ) 2019

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) CHERYL CIOFFI	KEY EMPLOYEE	30,130.	SEE PART V		X
(2) DONALD R. SCHILLING	KEY EMPLOYEE	33,174.	SEE PART V		X
(3) J. FREDERICK MANNING	OFFICER	153,039.	SEE PART V		X
(4) ROBIN R. ROSE	KEY EMPLOYEE	11,981.	SEE PART V		X
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					

Part V Supplemental Information

Provide additional information for responses to questions on Schedule L (see instructions).

BUSINESS TRANSACTIONS

ALL TRANSACTIONS DISCLOSED ARE MADE AT ARMS-LENGTH AND AT FAIR MARKET VALUE IN RETURN FOR SERVICES PROVIDED.

SCHEDULE L, PART IV, LINE 1, COLUMN D

FAMILY MEMBER EMPLOYED BY FREDERICK HEALTH HOSPITAL, INC. AS A UNIT SECRETARY.

SCHEDULE L, PART IV, LINE 2, COLUMN D

FAMILY MEMBER IS EMPLOYED BY FREDERICK HEALTH MEDICAL GROUP, LLC. AS A REGISTERED NURSE.

SCHEDULE L, PART IV, LINE 3, COLUMN D

PAYMENTS TO MANNING BROADCASTING, INC. FOR RADIO ADVERTISING. THE REALTIONSHIP BETWEEN THE HOSPITAL AND RADIO STATION EXISTED PRIOR TO MR. MANNING OWNING THE RADIO STATION AND PRIOR TO HIM BEING ON THE BOARD OF FHH.

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					

Part V Supplemental Information

Provide additional information for responses to questions on Schedule L (see instructions).

SCHEDULE L, PART IV, LINE 4, COLUMN D

FAMILY MEMBER EMPLOYED BY FREDERICK HEALTH HOSPITAL, INC. AS A PART-TIME

MEDICAL AID.

**SCHEDULE M
(Form 990)**

Noncash Contributions

OMB No. 1545-0047

2019

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

- ▶ Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.
- ▶ Attach to Form 990.
- ▶ Go to www.irs.gov/Form990 for instructions and the latest information.

Name of the organization

FREDERICK HEALTH HOSPITAL, INC.

Employer identification number

52-0591612

Part I Types of Property

	(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1 Art - Works of art				
2 Art - Historical treasures				
3 Art - Fractional interests				
4 Books and publications				
5 Clothing and household goods				
6 Cars and other vehicles.				
7 Boats and planes				
8 Intellectual property				
9 Securities - Publicly traded	X	579.	73,604.	FAIR MARKET VALUE
10 Securities - Closely held stock				
11 Securities - Partnership, LLC, or trust interests				
12 Securities - Miscellaneous				
13 Qualified conservation contribution - Historic structures				
14 Qualified conservation contribution - Other				
15 Real estate - Residential				
16 Real estate - Commercial				
17 Real estate - Other				
18 Collectibles				
19 Food inventory				
20 Drugs and medical supplies				
21 Taxidermy				
22 Historical artifacts				
23 Scientific specimens				
24 Archeological artifacts				
25 Other ▶ ()				
26 Other ▶ ()				
27 Other ▶ ()				
28 Other ▶ ()				

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement **29**

	Yes	No
30a During the year, did the organization receive by contribution any property reported in Part I, lines 1 through 28, that it must hold for at least three years from the date of the initial contribution, and which isn't required to be used for exempt purposes for the entire holding period?		X
b If "Yes," describe the arrangement in Part II.		
31 Does the organization have a gift acceptance policy that requires the review of any nonstandard contributions?	X	
32a Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?		X
b If "Yes," describe in Part II.		
33 If the organization didn't report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II.		

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule M (Form 990) 2019

JSA

Part II **Supplemental Information.** Provide the information required by Part I, lines 30b, 32b, and 33, and whether the organization is reporting in Part I, column (b), the number of contributions, the number of items received, or a combination of both. Also complete this part for any additional information.

**SCHEDULE O
(Form 990 or 990-EZ)**

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on
Form 990 or 990-EZ or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No. 1545-0047

2019

**Open to Public
Inspection**

Name of the organization

FREDERICK HEALTH HOSPITAL, INC.

Employer identification number

52-0591612

DESCRIPTION OF OTHER PROGRAM SERVICES

FORM 990, PART III, LINE 4D

OTHER PROGRAM SERVICES INCLUDE BEHAVIORAL HEALTH, CARDIOLOGY, SLEEP,
HOSPICE & HOME CARE, IMAGING, LABORATORY AND WOUND CARE. THE PROGRAM
SERVICES EXPENSE LISTED HERE INCLUDE \$48.8 MILLION OF GENERAL AND
ADMINISTRATIVE EXPENSES IN MEETING THE HEALTH NEEDS OF OUR PRIMARY
SERVICE AREA.

MEMBERS OR STOCKHOLDERS

FORM 990, PART VI, LINE 6

THE SOLE MEMBER OF THE ORGANIZATION IS FREDERICK HEALTH, INC.

POWER TO ELECT OR APPOINT MEMBERS

FORM 990, PART VI, LINE 7A

THE SOLE MEMBER, FREDERICK HEALTH, INC., HAS THE POWER TO APPOINT THE
PRESIDENT/CEO AND THE DIRECTORS OF FREDERICK HEALTH HOSPITAL.

DECISIONS RESERVED TO MEMBERS OR STOCKHOLDERS

FORM 990, PART VI, LINE 7B

THE MEMBER, FREDERICK HEALTH, INC., MUST APPROVE THE INCURRENCE OF DEBT
IF SUCH DEBT EXCEEDS A CERTAIN AMOUNT TO BE DESIGNATED BY THE MEMBER,
CAPITAL EXPENDITURES EXCEEDING A CERTAIN AMOUNT TO BE DESIGNATED BY THE
MEMBER, THE DECISION TO DISSOLVE OR LIQUIDATE, THE CREATION OF A
SUBSIDIARY, AND AMENDMENTS TO THE BYLAWS.

Name of the organization FREDERICK HEALTH HOSPITAL, INC.	Employer identification number 52-0591612
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PROCESS USED TO REVIEW THE FORM 990

FORM 990, PART VI, LINE 11B

THE 990 IS PREPARED IN CONJUNCTION WITH OUTSIDE TAX ACCOUNTANTS AND REVIEWED BY UPPER MANAGEMENT PRIOR TO PROVIDING A COPY TO THE BOARD. A COPY OF FORM 990 IS PROVIDED TO ALL MEMBERS OF THE BOARD PRIOR TO FILING.

MONITORING AND ENFORCEMENT OF COMPLIANCE WITH CONFLICT OF INTEREST POLICY

FORM 990, PART VI, LINE 12C

THE FREDERICK HEALTH HOSPITAL, INC. BOARD OF DIRECTORS IS COMMITTED TO MEETING ITS FIDUCIARY RESPONSIBILITIES AND MAINTAINING ITS DUTY OF LOYALTY TO THE HOSPITAL AND THE COMMUNITY IT SERVES. TO THIS END, THE BOARD WILL EXERCISE VIGILANCE IN IDENTIFYING ANY CONFLICTS OF INTEREST. THE BOARD WILL ALSO MAINTAIN TRANSPARENCY AND OBJECTIVITY IN MAKING DECISIONS ABOUT CONFLICTS OF INTEREST SO THAT THE ORGANIZATION'S MISSION IS ALWAYS THE FIRST PRIORITY. THE CHAIRPERSON (OR VICE CHAIRPERSON IF THE CHAIR IS INVOLVED) WILL NOTIFY ALL DIRECTORS OF A REPORTED CONFLICT OF INTEREST AND DECIDE WHETHER TO TAKE THE MATTER TO THE FULL BOARD TO DECIDE WHETHER A CONFLICT EXISTS AND, IF SO, WHAT ACTION TO TAKE, OR WILL REFER THE MATTER TO THE GOVERNANCE COMMITTEE FOR AN IN-DEPTH EXAMINATION, SUMMARY, AND RECOMMENDATION PRIOR TO A FULL BOARD DISCUSSION AND DECISION. IF TIME IS OF THE ESSENCE, THE CHAIRPERSON OR VICE CHAIRPERSON WILL TAKE THE MATTER TO THE EXECUTIVE COMMITTEE FOR DISCUSSION AND A DECISION, AND WILL THEN NOTIFY THE FULL BOARD. WHERE A CONFLICT OF INTEREST HAS BEEN IDENTIFIED, THE BOARD MEMBER SHALL NOT VOTE OR BE PRESENT FOR THE DISCUSSION OR THE VOTE REGARDING THE TRANSACTION AT THE

Name of the organization FREDERICK HEALTH HOSPITAL, INC.	Employer identification number 52-0591612
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FULL BOARD, EXECUTIVE COMMITTEE, OR GOVERNANCE COMMITTEE MEETINGS, EXCEPT TO ANSWER QUESTIONS THAT MAY BE ASKED OF HIM OR HER. TO PREVENT ACTUAL OR PERCEIVED INFLUENCE ON THE BOARD'S DECISION, THE CONFLICTED MEMBER IS PROHIBITED, AFTER INITIAL DISCLOSURE, FROM DISCUSSING THE CONFLICT OF INTEREST EITHER FORMALLY OR INFORMALLY WITH FELLOW DIRECTORS OR WITH MEMBERS OF THE MANAGEMENT. THERE WILL BE AN ANNUAL REVIEW OF ALL BOARD MEMBERS AND OFFICERS TRANSACTIONS PREPARED BY THE ADMINISTRATION AND REVIEWED BY THE GOVERNANCE COMMITTEE AND THE FULL BOARD OF DIRECTORS. AT THAT TIME, ALL DIRECTORS WILL BE REMINDED OF THE IRS INTERMEDIATE SANCTIONS REGULATION THAT ESTABLISHES EXCISE TAXES AS A SANCTION AGAINST ADMINISTRATORS AND DIRECTORS OF TAX-EXEMPT ORGANIZATIONS WHO PARTICIPATE IN 'EXCESS BENEFIT TRANSACTIONS' (E.G., UNREASONABLY HIGH EMPLOYMENT COMPENSATION OR BUSINESS DEALS).

PROCESS FOR DETERMINING COMPENSATION
FORM 990, PART VI, LINE 15

THE EXECUTIVE COMPENSATION PROGRAM IS DESIGNED TO CARRY OUT THE HEALTH SYSTEM MISSION, TO ACHIEVE THE CHARITABLE PURPOSE, TO ATTRACT, RETAIN, MOTIVATE AND REWARD EXECUTIVE MANAGEMENT, AND TO MAINTAIN A COMPETITIVE POSITION WITH PEER ORGANIZATIONS IN THE REGION. OVERSIGHT OF THE EXECUTIVE COMPENSATION PROGRAM IS PROVIDED BY THE EXECUTIVE COMPENSATION COMMITTEE OF THE BOARD, COMPOSED OF THE BOARD CHAIRMAN, VICE CHAIRMAN, IMMEDIATE PRECEDING CHAIRMAN, CHAIRMAN OF THE FINANCE COMMITTEE AND THE CHAIRMAN OF THE GOVERNANCE COMMITTEE. IN ADDITION TO THE BOARD'S COMPENSATION COMMITTEE, WE UTILIZED AN EXTERNAL INDEPENDENT CONSULTANT AND MARKET SURVEYS FOR ALL EXECUTIVE MANAGEMENT THE PRESIDENT AND CEO

Name of the organization FREDERICK HEALTH HOSPITAL, INC.	Employer identification number 52-0591612
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HAVE A WRITTEN EMPLOYMENT CONTRACT.

PROCESS FOR MAKING DOCUMENTS AVAILABLE TO THE PUBLIC

FORM 990, PART VI, LINE 19

GOVERNING DOCUMENTS AND THE CONFLICT OF INTEREST POLICY ARE AVAILABLE

UPON REQUEST. FREDERICK HEALTH HOSPITAL, INC. CONSOLIDATED ANNUAL AUDITED

FINANCIAL STATEMENTS ARE AVAILABLE AT

[HTTPS://WWW.FREDERICKHEALTH.ORG/ABOUT/ABOUT-FREDERICK-HEALTH/COMPLIANCE.AS](https://www.frederickhealth.org/about/about-frederick-health/compliance.aspx)

PX

FORM 990, PART VII

DIRECTOR GERRIT SCHIPPER RECEIVED COMPENSATION FOR PHYSICIAN SERVICES

PERFORMED AND NOT FOR SERVING ON THE BOARD.

OTHER CHANGES IN NET ASSETS

FORM 990, PART XI, LINE 9

UNREALIZED LOSSES - INTEREST RATE SWAP	\$ (2,089,611)
MINIMUM PENSION ADJUST	\$ (3,696,262)
INTERCOMPANY LOAN FORGIVENESS	\$(22,106,224)
ASSETS RELEASED FROM RESTRICTION	\$ 283,054
LOSS ON EXT. OF DEBT	\$ (5,478,630)
OTHER CHANGES IN RESTRICTED NET ASSETS	\$ 1,019,000
CONTRIB RELEASED FROM RESTRICTION	\$ (239,803)
ROUNDING	\$ 869

TOTAL	\$(32,307,607)

Name of the organization FREDERICK HEALTH HOSPITAL, INC.	Employer identification number 52-0591612
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ATTACHMENT 1

FORM 990, PART III - PROGRAM SERVICE, LINE 4A

ADULT INPATIENT SERVICES

IN FY 2020, FREDERICK HEALTH HOSPITAL'S INPATIENT MEDICAL-SURGICAL DEPARTMENTS PROVIDED QUALITY, PATIENT-CENTERED CARE, REGARDLESS OF ABILITY TO PAY, TO APPROXIMATELY 17,395 INPATIENTS AND OBSERVATION PATIENTS. MAJOR MEDICAL AND SURGICAL SERVICES INCLUDE CARDIOLOGY, CONGESTIVE HEART FAILURE, POST-CARDIAC CATHETERIZATION, CENTER FOR CHEST PAIN, HEMODIALYSIS, PERITONEAL DIALYSIS, NEUROLOGY, NEUROSURGERY, PULMONOLOGY, ONCOLOGY, ORTHOPEDICS, GENERAL MEDICINE AND SURGICAL CARE. INPATIENT CARE IS SUPPORTED BY A TEAM OF BOARD CERTIFIED PHYSICIAN HOSPITALISTS. IN ADDITION, FHH IS DESIGNATED AS A PRIMARY STROKE CENTER BY THE MARYLAND INSTITUTE OF EMERGENCY MEDICAL SERVICE SYSTEMS (MIEMSS) AND IS RECOGNIZED WITH THE STROKE CENTER GOLD PERFORMANCE AWARD BY THE AMERICAN HEART ASSOCIATION. OUR BARIATRIC SURGICAL PROGRAM IS ACCREDITED BY THE AMERICAN SOCIETY FOR METABOLIC AND BARIATRIC SURGERY AS A BARIATRIC SURGERY CENTER OF EXCELLENCE. IN ADDITION TO THE PROGRAM SERVICES EXPENSE LISTED HERE, FHH INCURRED \$48.8 MILLION OF GENERAL AND ADMINISTRATIVE EXPENSES IN MEETING THE HEALTH NEEDS OF OUR PRIMARY SERVICE AREA.

ATTACHMENT 2

FORM 990, PART III - PROGRAM SERVICE, LINE 4B

PERIOPERATIVE SERVICES

FREDERICK HEALTH HOSPITAL'S PERIOPERATIVE SERVICES PROVIDED HIGH

Name of the organization FREDERICK HEALTH HOSPITAL, INC.	Employer identification number 52-0591612
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ATTACHMENT 2 (CONT'D)

QUALITY CARE TO 8,905 SURGICAL AND ENDOSCOPY PATIENTS IN FISCAL YEAR 2020. PROCEDURES WERE PERFORMED IN OUR STATE OF THE ART FACILITY WHICH INCLUDES A DEDICATED IMAGING ROOM FOR VASCULAR AND OTHER PROCEDURES. WE HAVE PARTICIPATED IN THE SCIP QUALITY IMPROVEMENT PROJECT FOR CONTINUAL IMPROVEMENTS IN CARE FOLLOWING EVIDENCE BASED MEDICINE. WE TRACKED OUR PATIENT SATISFACTION THROUGH PRESS GANEY TO BENCHMARK OUR RESULTS TO THE NATIONAL DATA BASE. IN ADDITION TO THE PROGRAM SERVICES EXPENSE LISTED HERE, FHH INCURRED \$48.8 MILLION OF GENERAL AND ADMINISTRATIVE EXPENSES IN MEETING THE HEALTH NEEDS OF OUR PRIMARY SERVICE AREA.

ATTACHMENT 3FORM 990, PART III - PROGRAM SERVICE, LINE 4C

INPATIENT WOMEN AND CHILDREN

THE BIRTHPLACE ENCOMPASSES THE BIRTHING SUITE, THE FAMILY CENTER, THE NEWBORN NURSERY, AND THE NEONATAL INTENSIVE CARE UNIT. THE BIRTHING SUITE IS WHERE LABOR, BIRTHING AND RECOVERY OCCURS IN A COMFORTABLE, PRIVATE ROOM WITH SUPPORT PEOPLE WHO WILL ENCOURAGE AND COACH YOU THROUGHOUT YOUR LABOR AND DELIVERY. FREDERICK HEALTH HOSPITAL CARES FOR MORE THAN 2,400 FAMILIES EACH YEAR IN THE BIRTHPLACE. WHILE MANY OF THESE BIRTHS ARE HEALTHY NEWBORNS, ABOUT 10% OF ALL BABIES MAY NEED HIGH-RISK CARE FROM OUR NICU TEAM. AS A PERINATAL LEVEL III REFERRAL CENTER, FHH HAS A LEVEL III NICU WITH THE ABILITY TO CARE FOR BABIES OF ALL GESTATIONAL AGES, AND AS YOUNG AS 23 WEEKS PREMATURE. IN ADDITION TO THE PROGRAM SERVICES

Name of the organization FREDERICK HEALTH HOSPITAL, INC.	Employer identification number 52-0591612
---	--

ATTACHMENT 3 (CONT'D)

EXPENSE LISTED HERE, FHH INCURRED \$48.8 MILLION OF GENERAL AND ADMINISTRATIVE EXPENSES IN MEETING THE HEALTH NEEDS OF OUR PRIMARY SERVICE AREA.

ATTACHMENT 4990, PART VII- COMPENSATION OF THE FIVE HIGHEST PAID IND. CONTRACTORS

<u>NAME AND ADDRESS</u>	<u>DESCRIPTION OF SERVICES</u>	<u>COMPENSATION</u>
TX:TEAM REHAB INC 9101 WESLEYAN RD SUITE 100 INDIANAPOLIS, IN 46268	REHAB SERVICES	9,226,686.
SOUND PHYSICIANS PO BOX 742936 LOS ANGELES, CA 90074	PHYSICIAN SERVICES	4,827,303.
QUEST DIAGNOSTICS PO BOX 740709 ATLANTA, GA 30374	LABORATORY SERVICES	1,544,963.
BLACKTREE HEALTHCARE CONSULTING ONE FAYETTE STREET SUITE 425 CONSHOHOCKEN, PA 19428	REVENUE CYCLE MGMT	1,264,622.
CRITICAL CARE ASSOCIATES, LLC 10711 RED RUN BLVD. SUITE 101 OWINGS MILLS, MD 21117	PHYSICIAN SERVICES	1,176,438.

ATTACHMENT 5FORM 990, PART IX - OTHER FEES

<u>DESCRIPTION</u>	<u>(A) TOTAL FEES</u>	<u>(B) PROGRAM SERVICE EXP.</u>	<u>(C) MANAGEMENT AND GENERAL</u>	<u>(D) FUNDRAISING EXPENSES</u>
SALARIES AND CONTRACT LABOR	4,547,050.	4,529,575.	17,475.	
PROFESSIONAL FEES	11,898,342.	11,898,342.		
CONTRACT SERVICES	43,940,758.	38,852,989.	5,079,286.	8,483.

Name of the organization

FREDERICK HEALTH HOSPITAL, INC.

Employer identification number

52-0591612

ATTACHMENT 5 (CONT'D)FORM 990, PART IX - OTHER FEES

<u>DESCRIPTION</u>	(A) <u>TOTAL FEES</u>	(B) <u>PROGRAM SERVICE EXP.</u>	(C) <u>MANAGEMENT AND GENERAL</u>	(D) <u>FUNDRAISING EXPENSES</u>
OTHER EXPENSES	5,987,023.	5,309,975.	676,111.	937.
TOTALS	<u>66,373,173.</u>	<u>60,590,881.</u>	<u>5,772,872.</u>	<u>9,420.</u>

**SCHEDULE R
(Form 990)**

Related Organizations and Unrelated Partnerships

OMB No. 1545-0047

2019

**Open to Public
Inspection**

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.

▶ Attach to Form 990.

▶ Go to www.irs.gov/Form990 for instructions and the latest information.

Department of the Treasury
Internal Revenue Service

Name of the organization

FREDERICK HEALTH HOSPITAL, INC.

Employer identification number

52-0591612

Part I Identification of Disregarded Entities. Complete if the organization answered "Yes" on Form 990, Part IV, line 33.

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					

Part II Identification of Related Tax-Exempt Organizations. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, because it had one or more related tax-exempt organizations during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) FREDERICK HEALTH HOSPICE, INC. 400 WEST SEVENTH STREET FREDERICK, MD 21701 52-1164513	HOSPICE CARE	MD	501(C)(3)	10	FHH, INC	X	
(2) FREDERICK HEALTH, INC. 400 WEST SEVENTH STREET FREDERICK, MD 21701 45-4133096	HEALTH SYSTEM	MD	501(C)(3)	12B	N/A		X
(3) FREDERICK HEALTH MEDICAL GROUP, LLC 400 WEST SEVENTH STREET FREDERICK, MD 21701 45-3007639	PHYSICIAN ORG	MD	501(C)(3)	10	FHI	X	
(4)							
(5)							
(6)							
(7)							

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule R (Form 990) 2019

Part III Identification of Related Organizations Taxable as a Partnership. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, because it had one or more related organizations treated as a partnership during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512 - 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V - UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1)												
(2)												
(3)												
(4)												
(5)												
(6)												
(7)												

Part IV Identification of Related Organizations Taxable as a Corporation or Trust. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, because it had one or more related organizations treated as a corporation or trust during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
(1) FREDERICK HEALTH SERVICES CORPORATION 52-1851661 400 WEST SEVENTH STREET FREDERICK, MD 21701	MGMT COMPANY	MD	FHI	C CORP	0.	0.			X
(2) MONOCACY INSURANCE LTD 98-1011570 PO BOX 1159 GRAND CAYMAN, CJ KY1-1102	SELF INSURANCE	CJ	FHI	CORP	0.	0.			X
(3)									
(4)									
(5)									
(6)									
(7)									

Part V Transactions With Related Organizations. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.

Note: Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.

	Yes	No
1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?		
a Receipt of (i) interest, (ii) annuities, (iii) royalties, or (iv) rent from a controlled entity	X	
b Gift, grant, or capital contribution to related organization(s)		X
c Gift, grant, or capital contribution from related organization(s)		X
d Loans or loan guarantees to or for related organization(s)		X
e Loans or loan guarantees by related organization(s)		X
f Dividends from related organization(s)		X
g Sale of assets to related organization(s)		X
h Purchase of assets from related organization(s)		X
i Exchange of assets with related organization(s)		X
j Lease of facilities, equipment, or other assets to related organization(s)	X	
k Lease of facilities, equipment, or other assets from related organization(s)	X	
l Performance of services or membership or fundraising solicitations for related organization(s)		X
m Performance of services or membership or fundraising solicitations by related organization(s)		X
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)		X
o Sharing of paid employees with related organization(s)	X	
p Reimbursement paid to related organization(s) for expenses	X	
q Reimbursement paid by related organization(s) for expenses	X	
r Other transfer of cash or property to related organization(s)	X	
s Other transfer of cash or property from related organization(s)	X	

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds.

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) FREDERICK HEALTH MEDICAL GROUP, LLC	Q	55,502,833.	DIRECT COSTING
(2) FREDERICK HEALTH, INC.	Q	446,279.	DIRECT COSTING
(3) FREDERICK HEALTH MEDICAL GROUP, LLC	S	41,850,000.	CASH
(4) FREDERICK HEALTH HOSPICE, INC.	O	998,003.	DIRECT COSTING
(5) FREDERICK HEALTH MEDICAL GROUP, LLC	O	513,523.	DIRECT COSTING
(6) FREDERICK HEALTH MEDICAL GROUP, LLC	J	2,227,122.	CASH

Part V Transactions With Related Organizations. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.

Note: Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.

	Yes	No
1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?		
a Receipt of (i) interest, (ii) annuities, (iii) royalties, or (iv) rent from a controlled entity.	1a	
b Gift, grant, or capital contribution to related organization(s)	1b	
c Gift, grant, or capital contribution from related organization(s)	1c	
d Loans or loan guarantees to or for related organization(s)	1d	
e Loans or loan guarantees by related organization(s)	1e	
f Dividends from related organization(s)	1f	
g Sale of assets to related organization(s)	1g	
h Purchase of assets from related organization(s)	1h	
i Exchange of assets with related organization(s)	1i	
j Lease of facilities, equipment, or other assets to related organization(s)	1j	
k Lease of facilities, equipment, or other assets from related organization(s)	1k	
l Performance of services or membership or fundraising solicitations for related organization(s)	1l	
m Performance of services or membership or fundraising solicitations by related organization(s)	1m	
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n	
o Sharing of paid employees with related organization(s)	1o	
p Reimbursement paid to related organization(s) for expenses.	1p	
q Reimbursement paid by related organization(s) for expenses	1q	
r Other transfer of cash or property to related organization(s)	1r	
s Other transfer of cash or property from related organization(s)	1s	

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds.

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) FREDERICK HEALTH SERVICES CORP	K	433,139.	FMV
(2) FREDERICK HEALTH SERVICES CORP	A	166,000.	FMV
(3) FREDERICK HEALTH SERVICES CORP	O	73,631.	FMV
(4) FREDERICK HEALTH, INC.	O	1,417,584.	DIRECT COSTING
(5)			
(6)			

Part VI **Unrelated Organizations Taxable as a Partnership.** Complete if the organization answered "Yes" on Form 990, Part IV, line 37.

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V - UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	
(1)													
(2)													
(3)													
(4)													
(5)													
(6)													
(7)													
(8)													
(9)													
(10)													
(11)													
(12)													
(13)													
(14)													
(15)													
(16)													

Part VII **Supplemental Information**

Provide additional information for responses to questions on Schedule R. See instructions.

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Frederick Health, Inc. and Subsidiaries
Years Ended June 30, 2020 and 2019
With Report of Independent Auditors

Ernst & Young LLP



Frederick Health, Inc. and Subsidiaries

Consolidated Financial Statements
and Supplementary Information

Years Ended June 30, 2020 and 2019

Contents

Report of Independent Auditors.....	1
Consolidated Financial Statements	
Consolidated Balance Sheets	3
Consolidated Statements of Operations and Changes in Net Assets	5
Consolidated Statements of Cash Flows.....	7
Notes to Consolidated Financial Statements.....	8
Supplementary Information	
Supplementary Consolidating Balance Sheet	65
Supplementary Consolidating Statement of Operations and Changes in Net Assets	67
Obligated Group Supplementary Consolidating Balance Sheet	69
Obligated Group Supplementary Combining Statement of Operations and Changes in Net Assets	71
Obligated Group Combined Statement of Cash Flows.....	73



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Report of Independent Auditors

The Board of Directors
Frederick Health, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Frederick Health, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of June 30, 2020 and 2019, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Monocacy Insurance, Ltd., a wholly-owned subsidiary, which statements reflect total assets of \$25,431,557 and \$21,473,946 as of June 30, 2020 and 2019, respectively, and net loss after elimination of intercompany revenues of \$4,283,050 and \$4,177,260, respectively, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Monocacy Insurance, Ltd., is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Frederick Health, Inc. and Subsidiaries at June 30, 2020 and 2019, and the consolidated results of their operations, changes in their net assets, and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Adoption of New Accounting Pronouncements

As discussed in Note 2 to the consolidated financial statements, Frederick Health, Inc. changed its method for lease accounting as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2016-02, *Leases*, effective July 1, 2019. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary consolidating and combining/combined information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ernst + Young LLP

October 26, 2020

Frederick Health, Inc. and Subsidiaries

Consolidated Balance Sheets
(In Thousands)

	June 30	
	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 89,183	\$ 30,310
Patient receivables	55,159	48,170
Other receivables	2,583	3,434
Inventory	8,368	5,445
Prepaid expenses	5,522	3,509
Assets limited as to use	1,535	3,243
Promises to give, net	786	817
Total current assets	<u>163,136</u>	<u>94,928</u>
Net property and equipment	262,553	233,155
Right of use assets, net	28,414	—
Other assets:		
Assets limited as to use	30,294	1,175
Investments – donor restricted	3,252	3,057
Promises to give, net	3,640	3,922
Long-term investments	189,507	185,877
Other investments	8,572	8,513
Other assets	7,749	6,556
Total other assets	<u>243,014</u>	<u>209,100</u>
Total assets	<u>\$ 697,117</u>	<u>\$ 537,183</u>

	June 30	
	2020	2019
Liabilities and net assets		
Current liabilities:		
Current maturities of long-term debt	\$ 4,630	\$ 5,223
Accounts payable	26,328	23,119
Accrued expenses	29,915	26,405
Advances from third-party payors	67,736	7,722
Leases, current	2,676	–
Other current liabilities	5,023	2,616
Total current liabilities	<u>136,308</u>	<u>65,085</u>
Long-term liabilities, net of current portion:		
Long-term debt	228,085	168,386
Interest rate swap contract	10,404	8,365
Accrued pension expense	15,519	14,373
Other long-term liabilities	23,608	21,489
Leases, long term	30,542	–
Total long-term liabilities, net of current portion	<u>308,158</u>	<u>212,613</u>
Total liabilities	<u>444,466</u>	<u>277,698</u>
Net assets:		
Without donor restrictions	244,974	251,689
With donor restrictions	7,677	7,796
Total net assets	<u>252,651</u>	<u>259,485</u>
Total liabilities and net assets	<u>\$ 697,117</u>	<u>\$ 537,183</u>

See accompanying notes.

Frederick Health, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes In Net Assets

(In Thousands)

	Year Ended June 30	
	2020	2019
Net assets without donor restrictions:		
Unrestricted revenues:		
Net patient service revenue	\$ 424,467	\$ 423,999
Other revenue	25,261	9,956
Total unrestricted revenues	<u>449,728</u>	<u>433,955</u>
Operating expenses:		
Salaries and wages	191,734	168,233
Employee benefits	39,068	35,635
Professional fees	15,054	14,593
Cost of goods sold	72,625	70,377
Supplies	12,513	11,502
Contract services	66,101	74,177
Other	15,036	13,221
Utilities	4,817	4,651
Insurance	5,015	2,763
Depreciation and amortization	24,333	22,848
Interest	5,342	5,847
Total operating expenses	<u>451,638</u>	<u>423,847</u>
(Loss) income from operations	(1,910)	10,108
Other (loss) income, net:		
Loss on sale of assets	(27)	(14)
Loss on extinguishment of debt	(5,479)	-
Investment gain, net	4,969	5,434
Change in unrealized gains on trading securities, net	3,160	8,089
Realized and unrealized losses on interest rate swap contract, net	(3,464)	(2,861)
Periodic pension expense	(1,446)	(1,399)
Other non-operating gains, net	35	108
Total other (loss) income, net	<u>(2,252)</u>	<u>9,357</u>
(Deficit) excess of revenue over expenses	<u>\$ (4,162)</u>	<u>\$ 19,465</u>

Continued on page 6.

Frederick Health, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets (continued)
(In Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, June 30, 2018	\$ 230,938	\$ 8,267	\$ 239,205
Excess of revenue over expenses	19,465	–	19,465
Pension adjustment	(2,500)	–	(2,500)
Other changes in unrestricted net assets	2,848	–	2,848
Released from restriction used to purchase capital	938	(938)	–
Assets released from restrictions	–	(282)	(282)
Restricted gifts, bequests, and contributions	–	749	749
Changes in net assets	<u>20,751</u>	<u>(471)</u>	<u>20,280</u>
Net assets, June 30, 2019	251,689	7,796	259,485
Deficit of revenue over expenses	(4,162)	–	(4,162)
Pension adjustment	(3,696)	–	(3,696)
Other changes in unrestricted net assets	5	–	5
Released from restriction used to purchase capital	1,138	(1,138)	–
Assets released from restrictions	–	(12,203)	(12,203)
Restricted gifts, bequests, and contributions	–	13,222	13,222
Changes in net assets	<u>(6,715)</u>	<u>(119)</u>	<u>(6,834)</u>
Net assets, June 30, 2020	<u>\$ 244,974</u>	<u>\$ 7,677</u>	<u>\$ 252,651</u>

See accompanying notes.

Frederick Health, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended June 30	
	2020	2019
Operating activities		
Changes in net assets	\$ (6,834)	\$ 20,280
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Loss on extinguishment of debt	5,479	–
Depreciation of property and equipment	24,333	22,848
Amortization of original issue discount, premium, and bond issue costs	(69)	(64)
Gains on joint ventures and Premier noncash component	(59)	(3,814)
Loss on sale of property and equipment	27	24
Change in unrealized gains on trading securities, net	(3,160)	(8,088)
Proceeds from realized gains on investments – trading	(5,090)	(5,433)
Increase in investments – trading	(2,674)	(1,849)
Proceeds from restricted contributions	(195)	(328)
Realized and unrealized losses in interest rate swap, net	3,464	2,861
Changes in operating assets and liabilities:		
Receivables, patient, and other	(6,138)	(376)
Other assets	(1,193)	531
Inventories and prepaids	(4,936)	(583)
Pledges receivable	313	801
Accounts payable	3,209	(3,451)
Accrued expenses	3,510	2,078
Accrued pension expense	1,146	(102)
Advances from third-party payors	60,014	(305)
Other short-term liabilities	1,181	(293)
Other long-term liabilities	5,570	(11)
Net cash provided by operating activities	77,898	24,726
Investing activities		
Purchases and sales of investments and assets limited as to use, net	6,226	(1,501)
Realized losses on interest rate swap contract	(1,425)	(1,202)
Purchases of property and equipment	(51,511)	(18,850)
Net proceeds from sale of assets	–	20
Net cash used in investing activities	(46,710)	(21,533)
Fundraising and financing activities		
Proceeds from restricted contributions	195	328
Repayments of long-term debt	(116,600)	(5,140)
Proceeds from borrowings	179,925	–
Escrow funds used to retire debt	(7,199)	–
Payments for finance and capital leases	(1,000)	(773)
Deferred financing costs paid	(1,212)	–
Net cash provided by (used in) fundraising and financing activities	54,109	(5,585)
Net increase (decrease) in cash, cash equivalents, and restricted cash	85,297	(2,392)
Cash, cash equivalents, and restricted cash at the beginning of the year	33,553	35,945
Cash, cash equivalents, and restricted cash at the end of the year	\$ 118,850	\$ 33,553
Cash and cash equivalents	\$ 89,183	\$ 30,310
Restricted cash, included in assets limited as to use	29,667	3,243
	\$ 118,850	\$ 33,553
Supplemental disclosures		
Cash paid for interest	\$ 5,762	\$ 6,035

See accompanying notes.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Dollars in Thousands)

June 30, 2020

1. Organization and Mission

On September 10, 2019, the System filed Articles of Amendment of Articles of Incorporation with the Maryland Department of Assessments and Taxation for the sole purpose of changing the names of certain entities. As a result, the following entity names have been changed:

Original Name	New Name
Frederick Memorial Hospital, Inc.	Frederick Health Hospital, Inc.
Frederick Regional Health System, Inc.	Frederick Health, Inc.
Monocacy Health Partners, LLC	Frederick Health Medical Group, LLC
Hospice of Frederick County, Inc.	Frederick Health Hospice, Inc.
Corporate Occupational Health Solutions, LLC	Frederick Health Employer Solutions, LLC

Frederick Health, Inc. (the System) is a not-for-profit parent corporation formed on June 23, 2011, exempt from income tax under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) whereby only unrelated business income as defined by Section 512(a)(1) of the Code is subject to federal income tax. The System has received a determination letter from the Internal Revenue Service (IRS) stating that it is exempt from federal income taxes under Section 501(c) of the Code.

Frederick Health Hospital, Inc. (Hospital) is a not-for-profit hospital, exempt from federal income tax under Section 501(a) of the Code as an organization described in Section 501(c)(3) whereby only unrelated business income as defined by Section 512(a)(1) of the Code is subject to federal income tax. The Hospital is located in Frederick, Maryland, and provides health care services primarily to residents of Frederick County. The Hospital has received a determination letter from the IRS stating that it is exempt from federal income taxes under Section 501(c) of the Code.

Monocacy Insurance, Ltd. (MIL) is a Cayman Islands-domiciled single-parent captive incorporated on May 24, 2011, and holds an Unrestricted Class B insurance license issued under Section 7(2) of the Cayman Island Insurance Law. MIL directly provides primary medical professional liability, primary general liability coverage, and cyber liability coverage to the System.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

1. Organization and Mission (continued)

Frederick Health Medical Group, LLC (Medical Group) serves as a physician enterprise, providing governance, management, and support functions for employed physicians. The Medical Group is a not-for-profit corporation, formed on June 23, 2011, and operational as of October 1, 2013, exempt from income tax under Section 501(a) of the Code as an organization described in Section 501(c)(3) whereby only unrelated business income as defined by Section 512(a)(1) of the Code is subject to federal income tax. The Medical Group has received a determination letter from the IRS stating that it is exempt from federal income taxes under Section 501(c) of the Code.

Frederick Health Services Corporation (FHSC) is a Maryland for-profit corporation, all of the stock of which is owned by the System. FHSC is subject to federal and state income taxes. No provision for income taxes has been recorded for 2020 or 2019 due to the availability of net operating loss carryforwards. FHSC recorded a net deferred tax asset of \$447 and \$555 as of June 30, 2020 and 2019, respectively, which is presented in other assets on the consolidated balance sheet.

On March 25, 2014, Frederick Integrated Healthcare Network, LLC (FIHN) was formed and is operated exclusively as a charitable organization for charitable, scientific, and educational purposes within the meaning of Section 501(c)(3) of the Code and the Regulations thereunder as they now exist or as they may hereafter be amended. FIHN was formed to maintain and operate a program of clinical integration and an accountable care organization among health care providers. FIHN is a single-member LLC and a disregarded entity of the System for income tax purposes.

The Obligated Group, consisting of the Hospital, Medical Group and the System, is responsible for repayment of the Maryland Health and Higher Education Facilities (MHHEFA) Series 2012A, Series 2017B and Series 2020 Bonds as well as Term Loan 2019, Promissory Note 2020 and any outstanding amount on the 2013 Line of Credit. Refer to Note 9 for additional information on long term debt.

On July 7, 2014, the Hospital, Meritus Health, and Western Maryland Health System (WMHS) established Trivergent Health Alliance (THA), the parent company to Trivergent Health Alliance MSO (MSO). MSO is a managed services organization that provides regional health care services. The current purpose of MSO is to increase operational efficiencies, reduce costs, and enhance the quality of care by focusing efforts in the following areas: laboratory services, materials management, and pharmacy services. The human resource area returned to the three individual hospitals during December 2018 and is no longer provided by THA. The revenue cycle area was

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

1. Organization and Mission (continued)

returned to The Hospital during July 2019. The Hospital contributed working capital of \$100 to THA and \$900 to the MSO for a 33% ownership interest, which is presented in other assets on the consolidated balance sheets. Upon establishment of the MSO, all employees within the six service areas transferred employment from the Hospital to the MSO. The related cost to purchase the service from the MSO is recorded on the consolidated statement of operations within contract services for the years ended June 30, 2020 and 2019. The System paid a total of \$16,241 and \$29,048 to the MSO during the years ended June 30, 2020 and 2019, respectively. During the current fiscal year WMHS withdrew its membership from Trivergent due to a clinical affiliation with an outside health system therefore the Hospital and Meritus Health are equal 50% owners of THA. As of June 30, 2020 the Hospital wrote down its investment in Trivergent to zero. The MSO is expected to be dissolved with services returned to the member hospitals effective December 31, 2020.

In October 2019, the System purchased 100% of the membership interests of Frederick View, LLC, a Maryland limited liability company. The sole asset of Frederick View, LLC was real property consisting of an approximately 94-acre parcel of land with an approximately 387,000 square foot building, which was formerly used by an insurance company. On December 2, 2019, the Articles of Organization of Frederick View, LLC was amended for the purpose of changing the name of Frederick View, LLC to Frederick Health Village, LLC (Village).

Global Pandemic

In response to the ongoing COVID-19 pandemic, the Governor of the State of Maryland proclaimed a state of emergency and catastrophic health emergency within the State of Maryland on March 5, 2020 and renewed on March 17, 2020, April 10, 2020 and May 6, 2020. Effective March 16, 2020, all Maryland hospitals were ordered by the Maryland Department of Health to cease all elective and non-urgent medical procedures for the duration of the catastrophic health emergency. The Governor issued a state-wide stay-at-home order effective March 30, 2020.

Effective May 7, 2020, the Maryland Department of Health allowed resumption of elective and non-urgent medical procedures, and effective May 15, 2020 major provisions of the Governor's stay-at-home order were rescinded.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

1. Organization and Mission (continued)

The Maryland Health Services Cost Review Commission (HSCRC or the Commission) has publicly announced its intention to support Maryland hospitals during the state of emergency and catastrophic health emergency within the State of Maryland and its collaboration with other Maryland regulatory agencies to remove licensure, regulatory, and other barriers to hospitals in the provision of emergency healthcare services. Recognizing that hospitals will experience volume decline due to self-quarantining and cancelled elective surgeries, the HSCRC has stated that Maryland hospitals will be permitted to increase rate corridors up to the 10% threshold or by an additional 5% from their current charging position, whichever is greater. This action is intended to allow hospitals that are undercharged under their Global Budget Revenue due to volume losses to increase their charges in order to make up for lost revenue and prepare for the eventual increase in COVID-19 related patient volume. The HSCRC has stated that this rate corridor increase will be a temporary, one-time adjustment to ensure financial viability of Maryland hospitals as they prepare for increased volume in COVID-19 patients. The HSCRC has also stated that it will consider additional corridor relief beyond this new policy on a case-by-case basis.

In response to COVID-19, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, was signed into law on March 27, 2020. The CARES Act authorizes funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (Relief Fund). Payments from the relief fund are to be used to prevent, prepare for, and respond to Coronavirus, and shall reimburse the recipient for healthcare related expenses or lost revenues attributable to Coronavirus and are not required to be repaid, provided the recipients attest to and comply with the terms and conditions.

To further accommodate any Global Budget Revenue that Maryland hospitals may be unable to bill in fiscal year 2020 due to fluctuating volumes resulting from the COVID-19 pandemic, the HSCRC has stated that it will suspend undercharge penalties and allow Maryland hospitals to recoup those undercharges over the 12 months of fiscal year 2021 as a one-time adjustment net of the application of CARES Act relief funding. The HSCRC is proposing to reduce the Health System's undercharge by an amount derived from the CARES Act funding. Maryland hospitals will be allowed to bill any net undercharge in the next fiscal year, thus allowing them to recoup a portion of lost revenue associated with the catastrophic health emergency period. Further action by the HSCRC is expected in order to aid Maryland hospitals with regard to the increased expenses resulting from the COVID-19 pandemic.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

1. Organization and Mission (continued)

The COVID-19 pandemic has severely impacted global financial markets and travel and commerce generally. As a result of the COVID-19 pandemic, many businesses and retail establishments in the United States, including Maryland, have closed or reduced business activity. Many potential patients are now unemployed, have been furloughed or their work hours have been reduced, which results in reduced wages and potential loss of healthcare insurance. The System cannot determine at this time the long-term impact of the COVID-19 pandemic on the System's ability to conduct its operations and the costs of its operations, its financial condition or the returns and value of its investments and any effect on its pension funding and contribution obligations. In addition, while the suspension with respect to elective and non-urgent medical procedures was lifted, to date the volume of elective and non-urgent medical procedures, and the revenues resulting from such procedures, have not returned to pre-suspension levels and the amount of time needed to establish the volume of such procedures to pre-suspension levels cannot be determined.

2. Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts and transactions of the System and its wholly owned subsidiaries: Hospital, MIL, FHSC, Medical Group, FIHN and the Village.

The Hospital has one wholly owned subsidiary, Frederick Health Hospice, LLC (Hospice), an independent 501(c)(3) organization controlled by the Hospital, operates as a fundraising organization for the benefit of hospice services and operates the Kline Hospice House.

FHSC has two wholly owned subsidiaries: Rosehill of Frederick, LLC and Frederick Health Employer Solutions, LLC, both of which are for-profit limited liability companies that have been consolidated with FHSC into the System in the accompanying consolidated financial statements.

The accompanying consolidated financial statements include the accounts of the System and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). Certain prior year balances have been reclassified to conform to the current year's presentation.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as donor restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the asset is reclassified to without donor restrictions if restricted for capital or reported in the statements of operations as net assets released from restrictions if restricted for operating purposes. Donations received are reported as unrestricted contributions in the accompanying consolidated statements of operations as other operating revenues.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid financial instruments with an original maturity of three months or less, excluding assets limited as to use and those classified as long-term investments.

Other Revenue

Other revenue consists primarily of other operating revenue as well as gifts, bequests and contributions.

On April 9, 2020, the System received \$11,922 in provider relief funds authorized in the CARES Act from the U.S. Department of Health and Human Services (HHS). The System expects that these relief funds will be forgivable, but uncertainty exists as to the final outcome of the terms and conditions associated with the relief funds. Furthermore, the HSCRC is proposing to reduce the System's ability to recoup undercharges from its Global Budgeted Revenue (GBR) reimbursement program in future years by an amount derived from these provider relief funds. The final outcome of the HSCRC's decisions on treatment of the undercharge resulting from the Global Budget Reimbursement Revenue program and application of CARES Act funding to GBR limits is still being evaluated. These CARES funds were reported as donor restricted when they were received and released when used for operating purposes to cover lost revenue and COVID-related expenditures and reported in the consolidated statement of operations and changes in net assets as other revenue.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

Cost of Goods Sold

Cost of goods sold consists primarily of drugs, medical supplies, and surgical implants used in the care and treatment of patients.

Investments and Assets Limited as to Use

The fair values of individual investments are based on quoted market prices of individual securities or investments or estimated amounts using quoted market prices of similar investments. Realized and unrealized investment returns from all unrestricted investments and assets limited as to use are included in the consolidated statements of operations as part of nonoperating gains and losses. Long-term investments represent investments without donor restrictions and income earned on investments with and without donor restrictions. The cost of securities sold is based on the specific-identification method. Investments are classified as either current or noncurrent based on maturity dates and availability for current operations.

Substantially all of the System's investment portfolio (excluding certain assets limited as to use) is classified as trading, with unrealized gains and losses included in (deficit) excess of revenue over expenses. Certain trustee assets that are included in assets limited as to use are classified as other than trading. These assets primarily consist of funds held for payment of principal and interest on bonds and deferred compensation trusts.

Investment Risk and Liquidity Management

The System invests in professionally managed portfolios that contain corporate bonds, U.S. government obligations, municipal obligations, asset-backed securities, marketable equity securities, hedge funds, money market funds, private equity, and alternative investments. Such investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

As part of its liquidity management, the System's strategy is to structure its financial assets to be available to satisfy general operating expenses, current liabilities, and other obligations as they come due. The System has two committed lines of credit, as discussed in Note 9, to help manage unanticipated liquidity needs.

Property and Equipment

Property and equipment are carried at historical cost. Items acquired by gift are recorded at fair value at the time of acquisition. Depreciation is recorded using the straight-line method over the estimated useful lives of the depreciable assets. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful lives of the assets.

Leases

Effective January 1, 2019, the System adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, using the modified retrospective approach. For the impact of adoption and other required disclosures, see Note 16. The System enters into lease agreements for equipment, office space and certain facilities in conducting its normal business operations. Operating leases are included in long-term right-of-use assets, current lease liability and long-term lease liability in the accompanying consolidated balance sheets.

Right-of-use assets represent the System's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. At the inception of any contract, the System evaluates the agreement to determine whether the contract contains a lease. If the contract contains a lease, the System then evaluates the term and whether the lease is an operating or finance lease. Most leases include one or more options to renew or may have a termination option. The System determines whether these options are reasonably certain to be exercised at the inception of the lease. The depreciable life of right-of-use assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option that is reasonably certain to be exercised at the inception of the lease. The lease expense is recognized on a straight-line basis in the accompanying consolidated statements of operations and changes in net assets over the terms of the respective leases. Leases with an initial term of 12 months or less are not recorded on the accompanying consolidated balance sheets.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Topic 842 includes an accounting policy election for non-public business entities to use the risk-free rate for the measurement of lease liabilities. The System elected to utilize the risk-free rate for the measurement of lease liabilities for initial transition and going forward. This rate will be applied to all leases using a period comparable to the lease.

Valuation of Long-Lived Assets

The System accounts for the valuation of long-lived assets under Accounting Standards Codification (ASC) 360-10-45, *Accounting for the Impairment or Disposal of Long-Lived Assets*. This guidance requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Debt Issuance Costs

Debt issuance costs related to long term debt issuance are being amortized over the life of the debt using the effective-interest method and are netted in long-term debt in the consolidated balance sheets.

Patient Receivables and Revenues

Patient receivable include charges for amounts due from all patients less price concessions relating to allowances for the excess of established charges over the payments to be received on behalf of patients covered by Medicare, Medicaid and other insurers. The provision for price concessions is based upon management's assessment of historical and expected net collections considering historical business and economic conditions, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the price concessions based upon historical experience of self-pay accounts receivable, including those balances after insurance payments and not covered by insurance.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

The System's revenues generally relate to contracts with patients in which our performance obligations are to provide health care services to the patients. These revenues are based upon the estimated amounts that management expects to be entitled to receive from patients and third-party payors. Refer to Note 3 for additional information regarding the recognition of revenues in accordance with generally accepted accounting principles.

Performance Indicator

The performance indicator is the (deficit) excess of revenue over expenses. Other changes in net assets, consistent with industry practice, include pension adjustments and net assets released from restriction for capital purposes.

Fair Value of Financial Instruments

The carrying amounts reported on the accompanying consolidated balance sheets for cash and cash equivalents, other receivables, accounts payable, accrued expenses, and advances from third-party payors approximate their fair values. The fair values of the System's revenue bond notes, and other long-term debt approximate the carrying amounts, based on loans with similar terms and average maturities.

Advances From Third-Party Payors

On May 4, 2020, the System received \$60,014 from the Centers for Medicare and Medicaid Services (CMS) Accelerated and Advance Payment Program. This program provides hospitals with working capital advances that become payable 120 days from the date of receipt of the funds and must be fully repaid within one year through an automatic reduction of claims receipts from CMS. As of June 30, 2020, none of these funds have been expended. These funds, which represent contract liabilities as defined in ASC 606, have been recorded within advances from providers and short-term investments in the accompanying condensed consolidated balance sheet at June 30, 2020.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Assets

Net resources that are not restricted by donors are included in net assets without donor restrictions. Gifts of long-lived operating assets, such as property, plant or equipment, are reported as net assets with donor restrictions and excluded from income. Resources restricted by donors for a specified time or purpose are reported as net assets with donor restrictions.

When the specific purposes are met, either through passage of a stipulated time period or when the purpose for restriction is accomplished, they are released to other operating revenues in the statement of operations and changes in net assets. Resources restricted by donors for additions to property, plant and equipment are initially reported as net assets with donor restrictions and are transferred to net assets without donor restrictions when expended. Donor-imposed restrictions, which stipulate that the resources be maintained permanently, are reported as net assets with donor restrictions.

Investment income related to net assets with donor restrictions is classified as net assets without donor restrictions based on the intent of the donor.

Recent Accounting Pronouncements

Effective July 1, 2018, the System adopted Financial Accounting Standards Board (FASB) ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, using the modified retrospective method of transition. This ASU converged and replaced existing revenue recognition guidance, including industry-specific guidance and requires revenue to be recognized in an amount that reflects the consideration the entity expects to be entitled in an exchange of goods or services. The adoption of this ASU did not materially impact the consolidated financial statements, refer to footnote three for additional information.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Effective July 1, 2019, the System adopted FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The System has adopted ASU 2016-18 using a retrospective transition method, and as such, certain reclassifications were made to 2019 amounts previously reported on the consolidated statement of cash flows.

Effective July 1, 2019, the System adopted FASB ASU 2018-08, *Not-for-Profit Entities – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, using a modified retrospective approach. This ASU provides a more robust framework to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. The adoption of ASU did not have a material impact on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The System has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which requires various changes to the measurement and disclosure of equity investments. For the System, the most relevant change under ASU 2016-01 is that certain private equity and hedge fund investments that are currently accounted for using the cost method will be measured at fair value. The System applied the standard prospectively as required on July 1, 2018, and therefore the standard did not have an impact on the period ended June 30, 2018. The impact of adoption during the period on the consolidated balance sheets was an increase to long-term investments and other investments of \$2,387 and \$461, respectively. The impact to the consolidated statement of operations and change in net assets was an increase in other changes in net assets of \$2,848.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

In February 2016, the FASB issued ASU 2016-02, *Leases*. This ASU amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets. Effective July 1, 2019, the System adopted ASU 2016-02 using the modified retrospective approach and elected an application date equal to the later of (1) the beginning of the earliest comparative period presented in the financial statements and (2) the commencement date of the lease. The modified retrospective approach provides a method of recording existing leases at adoption and in comparative periods that approximates the results of a full retrospective approach. This ASU requires the rights and obligations arising from the lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the accompanying consolidated balance sheets. The ASU also requires disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases.

The System elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, eliminates the requirement to reassess (1) whether any expired or existing contracts that commenced before the effective date are, or contain, leases, (2) the lease classification for any expired or existing leases, and (3) initial direct costs for any existing leases. The System also elected the practical expedient which allows the System to treat the lease and non-lease components of a contract as a single component and account for as a lease.

The adoption of ASU 2016-02 resulted in the recording of net lease assets and lease liabilities of \$28,565 and \$33,280, respectively, on the accompanying consolidated balance sheets as of July 1, 2019. The standard did not materially impact our accompanying consolidated statements of operations and changes in net assets, or statements of cash flows for the year ended June 30, 2020.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experiences, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2022, including interim periods within those fiscal years, and a modified retrospective approach is required, with

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective. Management is currently evaluating the impact of adopting this new accounting guidance.

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. The amendments help entities evaluate the accounting for implementation costs paid by a customer in a cloud computing arrangement by providing guidance for determining when the service contract includes a software license. The System is evaluating the impact of this guidance, which will be effective in 2021.

3. Patient Receivables and Patient Service Revenue

Patient receivables consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Gross patient receivables	\$ 79,796	\$ 69,867
Less estimated uncollectible accounts and contractual allowances	<u>(24,637)</u>	<u>(21,697)</u>
Net patient receivables	<u>\$ 55,159</u>	<u>\$ 48,170</u>

Patient service revenue consists of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Inpatient charges	\$ 231,953	\$ 231,161
Outpatient charges	<u>326,636</u>	<u>321,033</u>
Gross charges	558,589	552,194
Less contractual and other allowances	<u>(134,122)</u>	<u>(128,195)</u>
Net patient service revenue	<u>\$ 424,467</u>	<u>\$ 423,999</u>

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

3. Patient Receivables and Patient Service Revenue (continued)

The System's revenues generally relate to contracts with patients in which our performance obligations are to provide health care services to the patients. Revenues are recorded during the period the obligations to provide health care services are satisfied. Performance obligations for revenues are recognized based on charges incurred in relation to total expected charges. The System has agreements with third-party payors that provide for payments to the System for patient services at amounts different from its established rates. Management continually reviews the contractual estimation process to incorporate updates to laws and regulations and any changes in managed care contractual terms resulting from contract renegotiations and renewals.

The System's revenues are based upon the estimated amounts that management expects to be entitled to receive from patients and third-party payors. Estimates of explicit price concessions, formerly contractual allowances, under managed care and commercial insurance plans are based upon the payment terms specified in the related contractual agreements. Revenues related to uninsured patients and uninsured copayment and deductible amounts for patients who have health care coverage may have discounts applied (uninsured discounts and contractual discounts). Management also records estimated implicit price concessions (based primarily on historical collection experience) related to uninsured accounts to record self-pay revenues at the estimated amounts that it expects to collect.

Additionally, the System's revenues may be subject to adjustment as a result of examination by government agencies or contractors and as a result of differing interpretation of government regulations, medical diagnosis, charge coding, medical necessity, or other contract terms. Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreements with the payor, correspondence from the payor and the System's historical settlement activity, including an assessment to ensure it is probable a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known, or as years are settled or are no longer subject to such audits, reviews and investigations.

The System has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Patient Receivables and Patient Service Revenue (continued)

of a significant financing component due to the System's expectation that the period between the time the service is provided to a patient and the time that the patient or third-party payor pays for that service will be one year or less.

The estimates for implicit price concessions are based upon management's assessment of historical write-offs and expected net collections, business and economic conditions, trends in federal, state and private employer health care coverage and other collection indicators. Management relies on the results of detailed reviews of historical write-offs and collections at facilities that represent a majority of the System's revenues and patient receivable as a primary source of information in estimating the collectability of patient receivable.

The System provides care to patients who meet certain criteria under its charity care policy. The System charges at its established rates but waives all or a portion of reimbursement. Because the System does not pursue collection of amounts determined to qualify as charity care, these revenues are not reported as net patient service revenue. Using the cost to charge ratio to approximate cost, charity care provided for the years ended June 30, 2020 and 2019, was \$7,097 and \$6,346, respectively. The state of Maryland rate system includes components within the rates to partially compensate hospitals for uncompensated care.

4. Assets Limited as to Use

A summary of assets that are limited as to use substantially for debt service and deferred compensation trusts at June 30 is as follows:

	2020	2019
Current:		
Principal, interest, and other – bonds	\$ 1,499	\$ 3,049
Construction funds	–	102
Loss escrow account	36	92
	\$ 1,535	\$ 3,243
Noncurrent:		
Construction funds	\$ 28,132	\$ –
Deferred compensation trusts	2,162	1,175
	\$ 30,294	\$ 1,175

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

4. Assets Limited as to Use (continued)

The assets that are limited as to use consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Current:		
Cash and money market accounts	\$ 29,667	\$ 3,243
Mutual funds	—	—
	<u>\$ 29,667</u>	<u>\$ 3,243</u>
Noncurrent:		
Corporate or other bonds	\$ —	\$ 20
Mutual funds	2,162	1,155
	<u>\$ 2,162</u>	<u>\$ 1,175</u>

The noncurrent assets limited as to use mutual funds are primarily invested in equities and bonds chosen by deferred compensation plan participants.

5. Promises to Give

Promises to give are discounted and are due as follows at June 30:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 924	\$ 961
One to five years	2,690	2,937
More than five years	2,392	2,634
	<u>6,006</u>	<u>6,532</u>
Less discounting and allowance for uncollectible promises	1,580	1,793
Total promises to give, net	<u>4,426</u>	<u>4,739</u>
Less current portion of promises to give, net	786	817
	<u>\$ 3,640</u>	<u>\$ 3,922</u>

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

5. Promises to Give (continued)

Promises to give include \$1,056 and \$1,026 for the years ended June 30, 2020 and 2019, respectively, related to charitable remainder trusts. This net amount represents the excess of the fair value of the related trust accounts over the net present value of the annuities to be paid out of the trust to the named beneficiaries over their estimated life expectancy.

6. Investments

Investments are held for the following uses:

	<u>2020</u>	<u>2019</u>
Principal, interest, and other – bonds	\$ 1,499	\$ 3,049
Construction funds	28,132	102
Loss escrow account	36	92
Deferred compensation trusts	2,162	1,175
Investments, restricted	3,252	3,057
Investments	<u>189,507</u>	<u>185,877</u>
	224,588	193,352
Less assets limited as to use, short term	1,535	3,243
Noncurrent investments	<u>\$ 223,053</u>	<u>\$ 190,109</u>

Long-term investments represent investments without donor restrictions and income earned on investments with and without donor restrictions.

Investments with donor restrictions are designated by the donors for expenses relating to capital projects, replacement or improvement of existing assets, or to cover the cost of services rendered as charity care and other programs.

To satisfy its long-term rate-of-return objectives, the System relies on a balanced investment strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The System targets a diversified asset allocation that places a greater emphasis on mutual fund and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

6. Investments (continued)

Long-term investments with and without donor restrictions recorded at fair value consist of the following at June 30:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 12,307	\$ 12,307	\$ 8,602	\$ 8,602
U.S. government obligations	4,704	4,979	4,383	4,563
Corporate obligations	4,901	5,370	4,733	4,912
Mortgage-backed securities	5,028	5,184	4,713	4,762
Equity securities	46,534	51,754	34,355	49,704
Mutual funds	84,441	93,428	76,277	89,529
Private equity investments	7,115	7,834	5,524	6,986
Hedge funds	11,025	11,903	18,050	19,876
	<u>\$ 176,055</u>	<u>\$ 192,759</u>	<u>\$ 156,637</u>	<u>\$ 188,934</u>

The System is invested in private equity and hedge funds that are accounted for at fair value. The estimated fair value of these investments is primarily based on financial data supplied by the underlying investee fund.

	2020	2019
Investment allocation:		
Long-term investments without donor restrictions	\$ 189,507	\$ 185,877
Investments with donor restrictions	3,252	3,057
	<u>\$ 192,759</u>	<u>\$ 188,934</u>

Investment income for the years ended June 30 is as follows:

	2020	2019
Unrestricted:		
Net realized gains	\$ 339	\$ 1,199
Interest and dividends, net of investment expense	3,447	3,790
Gains (loss) from joint ventures	1,183	445
	<u>\$ 4,969</u>	<u>\$ 5,434</u>

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

6. Investments (continued)

Investment expense was \$396 and \$279 for the years ended June 30, 2020 and 2019, respectively.

Other investments consist of the following at June 30:

	Carrying Value		Income (Loss)	
	2020	2019	2020	2019
Premier Class B	\$ 2,205	\$ 1,225	\$ –	\$ –
Joint ventures	6,367	7,288	1,183	445
	<u>\$ 8,572</u>	<u>\$ 8,513</u>	<u>\$ 1,183</u>	<u>\$ 445</u>

Investments in joint ventures are accounted for using the equity method, unless otherwise noted, at June 30 and are as follows:

	Entity	Interest %	2020	2019
Carroll Occupational Health, LLC	FHSC	25.0	\$ 56	\$ 128
Mt. Airy Health Services, LLC	Hospital	50.0	702	702
Mt. Airy Med-Services, LLC	FHSC	50.0	3,849	4,126
Mt. Airy Plaza, LLC	FHSC	50.0	46	(319)
Trivergent Health Alliance	Hospital	33.3	–	100
Trivergent Health Alliance MSO	Hospital	33.3	–	900
Advanced Health Collaborative	System	–	42	42
Maryland Health Advantage, Inc.	Hospital	6.0	287	287
Frederick Surgical Center, LLC	FHSC	40.6	683	764
MNR of Frederick, LLC	FHSC	22.5	702	558
			<u>\$ 6,367</u>	<u>\$ 7,288</u>

The fair value of these joint ventures is not readily determinable.

Group Purchasing Organization Initial Public Offering

The System has participated and owned equity in Premier Limited Partnership (Premier), which has served as a group purchasing organization for many years. This participation provides purchasing contract rates and rebates the System would not be able to obtain on its own.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

6. Investments (continued)

During the year ended June 30, 2014, Premier restructured from a privately held company to a public company and completed an initial public offering (IPO) of its equity securities. Several financial transactions occurred with those holding equity in Premier before the IPO, including the System. As a result, the System received a cash payment of approximately \$1.1 million in exchange for 16% of its previous ownership in Premier. In addition, in exchange for the extension of the group purchasing contract, the System received partial ownership of the new public company (the Class B units). During the year ended June 30, 2014, the System received 233,669 Class B units that are earned in seven separate tranches over an 85-month period ending October 31, 2020. The opportunity will exist in the future for any unsold Class B units to be converted to the Premier public company stock.

Prior to vesting, the Class B units may be transferred or sold with the approval of Premier. The System recognized \$981 and \$1,658 related to the vesting of 33,381 and 33,381 Class B units for the years ended June 30, 2020 and 2019, respectively. These amounts are recorded as an investment on the accompanying consolidated balance sheets and were recognized as a reduction of supplies expense in the accompanying consolidated statements of operations, as the value of the Class B shares is tied to the group purchasing contract and is considered a vendor incentive.

During the year ended June 30, 2019, upon vesting of the fifth tranche, the System converted all existing vested Class B shares (166,906 in total) to Class A and sold them, recognizing a gain of \$280 recorded as investment income on the consolidated statements of operations.

7. Fair Value Measurements

Assets and liabilities recorded at fair value in the accompanying consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

FASB guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date, emphasizing that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the FASB establishes a fair value hierarchy that distinguishes between market participant assumptions based on market

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

7. Fair Value Measurements (continued)

data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The level inputs, as defined by FASB guidance for fair value measurements and disclosures, are as follows:

- Level 1 – Inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the System has the ability to access at the measurement date.
- Level 2 – Inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.
- Level 3 – Inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The System's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the assets or liabilities.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

7. Fair Value Measurements (continued)

The following tables present the System's assets and liabilities measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of June 30:

	Fair Value Measurements at Reporting Date Using			
	Fair Value at June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	\$ 131,133	\$ 131,133	\$ —	\$ —
Equity securities	51,754	51,754		
U.S. government obligations	4,845	—	4,845	—
Agency securities	134	—	134	—
Corporate and other bonds	5,370	—	5,370	—
Mutual funds	95,621	95,621	—	—
Mortgage-backed securities	5,184	—	5,184	—
Private equity investments	7,834	—	—	7,834
Hedge funds	11,903	—	—	11,903
Promises to give, net	4,426	—	—	4,426
Total assets	\$ 318,204	\$ 278,508	\$ 15,533	\$ 24,163
Liabilities				
Interest rate swap liability	\$ (10,404)	\$ —	\$ (10,404)	\$ —
Total liabilities	\$ (10,404)	\$ —	\$ (10,404)	\$ —

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

7. Fair Value Measurements (continued)

	Fair Value Measurements at Reporting Date Using			
	Fair Value at June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	\$ 42,063	\$ 42,063	\$ —	\$ —
Equity securities	49,704	49,704	—	—
U.S. government obligations	4,369	—	4,369	—
Agency securities	194	—	194	—
Corporate and other bonds	4,933	—	4,933	—
Mutual funds	90,775	90,775	—	—
Mortgage-backed securities	4,762	—	4,762	—
Private equity investments	6,986	—	—	6,986
Hedge funds	19,876	—	—	19,876
Promises to give, net	4,739	—	—	4,739
Total assets	<u>\$ 228,401</u>	<u>\$ 182,542</u>	<u>\$ 14,258</u>	<u>\$ 31,601</u>
Liabilities				
Interest rate swap liability	\$ (8,365)	\$ —	\$ (8,365)	\$ —
Total liabilities	<u>\$ (8,365)</u>	<u>\$ —</u>	<u>\$ (8,365)</u>	<u>\$ —</u>

The fair value of the System's trading securities is determined by third-party service providers utilizing various methods dependent upon the specific type of investment. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Where significant inputs, including benchmark yields, broker-dealer quotes, issuer spreads, bids, offers, the London Interbank Offered Rate (LIBOR) curve, and measures of volatility, are used by these third-party dealers or independent pricing services to determine fair values, the securities are classified within Level 2. Private equity investments and hedge funds are carried at fair market value.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

7. Fair Value Measurements (continued)

Assets utilizing Level 1 inputs include exchange-traded equity securities and equity and fixed-income mutual funds. Assets and liabilities utilizing Level 2 inputs include U.S. government securities, corporate bonds, mortgage-backed securities, and interest rate swaps. Assets utilizing Level 3 inputs are promises to give, private equity investments, and hedge funds.

Interest Rate Swap

The System entered into an interest rate swap agreement in conjunction with the issuance of variable rate bonds. The swap contract is valued using models based on readily observable market parameters for all substantial terms of the contract. The fair market value of the swap agreement is included as interest rate swap contract in the accompanying consolidated balance sheets. The fair market value calculation includes a credit valuation adjustment as required of \$540 and \$374, reducing the interest rate swap agreement liability position on June 30, 2020 and 2019, respectively. The change in the fair market value of the swap agreement is included in (deficit) excess of revenue over expenses, as the swap is not designated as an effective hedge.

Credit exposure associated with nonperformance by the counterparty to the derivative instrument is generally limited to the uncollateralized fair value of the asset related to instruments recognized in the balance sheets.

Other

Assets utilizing Level 3 inputs are promises to give, private equity investments, and hedge funds. Promises to give are recorded net of an allowance for uncollectible pledges and discounted to net present value. The present value of estimated future cash flows using a discount rate commensurate with the risks involved is an appropriate measure of fair value for unconditional promises to give cash and is considered Level 3. The fair value of the System's private equity and hedge fund investments is determined by third-party service providers utilizing various methods dependent upon the specific type of investment.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

7. Fair Value Measurements (continued)

The following table provides a reconciliation of the beginning and ending balances of items measured at fair value on a recurring basis in the previous table that used significant unobservable inputs (Level 3):

	Year Ended June 30	
	2020	2019
Promises to give		
Beginning balance, July 1	\$ 4,739	\$ 5,540
New pledges	689	430
Collections on pledges	(1,079)	(1,606)
Write-off of pledges	(165)	(137)
Changes in reserves and discounting factor	242	512
Ending balance, June 30	<u>\$ 4,426</u>	<u>\$ 4,739</u>
 Private equity investments		
Beginning balance, July 1	\$ 6,986	\$ 5,759
Purchases	1,659	1,067
Gains	576	546
Return of capital	(1,387)	(386)
Ending balance, June 30	<u>\$ 7,834</u>	<u>\$ 6,986</u>
 Hedge funds		
Beginning balance, July 1	\$ 19,876	\$ 20,202
Sales	(6,533)	-
Losses	(1,440)	(326)
Ending balance, June 30	<u>\$ 11,903</u>	<u>\$ 19,876</u>

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

8. Property and Equipment

Property and equipment consist of the following at June 30:

	Estimated Useful Lives	2020	2019
Land	–	\$ 12,067	\$ 6,013
Land improvements	8–20 years	4,808	2,927
Buildings	20–40 years	275,159	263,051
Fixed equipment	10–20 years	29,437	23,591
Movable equipment	3–20 years	263,144	248,392
Leasehold improvements	5–20 years	32,664	32,311
		<u>617,279</u>	<u>576,285</u>
Less accumulated depreciation		<u>370,970</u>	<u>351,522</u>
		246,309	224,763
Construction in process, renovations, and deposits		<u>16,244</u>	<u>8,392</u>
		<u>\$ 262,553</u>	<u>\$ 233,155</u>

Construction in progress consists of the System’s building construction and renovations. As these projects are completed, the related assets are transferred out of construction in progress and into the appropriate asset category and are depreciated over the applicable useful lives.

Capitalized computer software, net of accumulated amortization, as of June 30, 2020 and 2019, was \$4,653 and \$4,892, respectively. Amortization of computer software was \$1,294 and \$1,011 for fiscal years 2020 and 2019, respectively.

The net book value of assets under financing lease arrangements totaled \$2,387 and \$1,530 as of June 30, 2020 and 2019, respectively. Depreciation expense related to assets under financing lease arrangements was \$1,078 and \$876 for the years ended June 30, 2020 and 2019, respectively.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

9. Long-Term Debt

Long-term debt consists of the following as of June 30:

	<u>2020</u>	<u>2019</u>
MHHEFA Series 2012A Bonds	\$ 3,545	\$ 93,781
MHHEFA Series 2017A Bonds	–	25,880
MHHEFA Series 2017B Bonds	50,790	54,215
Term Loan Note 2019	20,000	–
Promissory Note 2020	93,875	–
MHHEFA Series 2020 Bonds	66,050	–
Capital lease obligations	–	1,219
Deferred finance costs	(1,545)	(1,486)
	<u>232,715</u>	<u>173,609</u>
Less current maturities	4,630	5,223
	<u>\$ 228,085</u>	<u>\$ 168,386</u>

Series 2012A MHHEFA Revenue Bonds

On June 25, 2020 the obligated group members of the System issued a promissory note in favor of a lending institution in the amount \$93,875, facilitating legal defeasance of \$86,290 of the Series 2012A MHHEFA Revenue Bonds.

In December 2012, the System obtained a loan of \$96,240 in MHHEFA Revenue Bonds, Frederick Memorial Hospital Issue, Series 2012A. The MHHEFA Series 2012A Bonds were issued to refund all of the MHHEFA Series 2002 Bonds and to finance a portion of certain construction and equipment costs of the System. The Series 2012A Bonds were issued with a premium of \$3,990, which is being amortized over the life of the bonds. The accumulated amortization was \$1,208 at June 25, 2020 at which time the remaining premium of \$2,872 was recognized as a gain on extinguishment of debt. The annual interest rate on the bond loan ranges between 3% and 5% over the term of the bond. Interest is payable semiannually on each January 1 and July 1, through July 1, 2038.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Long-Term Debt (continued)

Under the provisions of the bond agreement, the System has granted to the authority a security interest in all receipts now owned and hereafter acquired. The bonds are also secured with a deed of trust and security agreement applicable to the main hospital campus of the System. The Series 2012A Bonds are secured ratably with the Series 2017B Bonds, Term Loan Note 2019, Series 2020 Bonds, Promissory Note 2020 and any outstanding amounts on the 2013 Line of Credit.

The fair value of the remaining Series 2012A MHHEFA Revenue Bonds is estimated based on quoted prices in active markets for identical assets. The fair value of the 2012A Bonds as of June 30, 2020, is estimated at \$3,667.

There is no debt service reserve requirement associated with the Series 2012A Bonds.

The bond agreement contains certain financial covenants, all of which the System was in compliance with as of June 30, 2020.

Series 2017A MHHEFA Revenue Bonds

On June 25, 2020, the System obtained a loan of \$62,645 in MHHEFA Revenue Bonds, Frederick Health System Issue, Series 2020. The MHHEFA Series 2020 Bonds were issued to refund all of the outstanding MHHEFA Series 2017A Bonds, pay financing costs and to finance a portion of certain construction and equipment costs of the System.

In June 2017, the System obtained a loan of \$29,000 in MHHEFA Revenue Bonds, Frederick Memorial Hospital Issue, Series 2017A. Upon settlement of the bonds, MHHEFA and the obligated group entered into a financing agreement with BB&T Community Holdings Co. (BB&T) whereby BB&T became the initial purchaser of the Series 2017A Bonds. The interest rate on the bonds is based on an index floating rate determined by BB&T equal to the applicable percentage of LIBOR plus the applicable spread plus any Tax Equity and Fiscal Responsibility Act (TEFRA) adjustment. The average interest rate on the bond loan is 2.16% for the year ended June 30, 2020. The carrying value of the 2017A Bonds approximates fair value.

The proceeds of the Series 2017A Bonds were used for completion of the 2017 project, which consists of the construction of the James M. Stockman Cancer Institute, renovations to a building used as a business center, and renovations to the sterile processing department.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

9. Long-Term Debt (continued)

Series 2017A Bonds were subject to redemption at the option of the authority at the principal amount of the Series 2017A Bonds to be redeemed plus accrued interest to the date set for redemption. The Series 2017A Bonds, which mature on July 1, 2042, were secured ratably with the Series 2017B Bonds. The System was required to make annual payments to BB&T sufficient to meet the annual debt service requirements for the succeeding year. Annual sinking fund installments for the Series 2017A Bonds ranged from \$7,085 on July 1, 2039, to \$5,195 on July 1, 2042.

After experiencing an increase to the effective interest rate due to the reduction of the maximum marginal tax rate of BB&T, on January 1, 2018, amendments to the financing agreement between MHHEFA, the System, and BB&T were executed that changed the definition of the applicable percentage of LIBOR and the applicable spread in the calculation of the index floating rate on the Series 2017A and 2017B Bonds. Effective April 1, 2018, these amendments resulted in a reduction of the index floating rate and interest expense related to this debt going forward.

The bond agreement contains certain financial covenants, all of which the System was in compliance with as of June 30, 2020.

Series 2017B MHHEFA Revenue Bonds

In June 2017, the System obtained a loan of \$60,645 in MHHEFA Revenue Bonds, Frederick Memorial Hospital Issue, Series 2017B. Upon settlement of the bonds, MHHEFA and the obligated group entered into a financing agreement with BB&T whereby BB&T became the initial purchaser of the Series 2017B Bonds. The interest rate on the bonds is based on an index floating rate determined by BB&T equal to the applicable percentage of LIBOR plus the applicable spread plus the TEFRA adjustment, if any. The average interest rate on the bond loan is 2.162% for the year ended June 30, 2020. The carrying value of the 2017B Bonds approximates fair value.

The proceeds of the Series 2017B Bonds were used to pay financing costs and for the refunding of the Series 2012B Bonds.

Series 2017B Bonds are subject to redemption at the option of the authority at the principal amount of the Series 2017B Bonds to be redeemed plus accrued interest to the date set for redemption. The Series 2017B Bonds mature on July 1, 2035.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

9. Long-Term Debt (continued)

Under the provisions of the bond agreement, the System has granted a security interest in all receipts now owned and hereafter acquired. The bonds are also secured with a deed of trust and security agreement applicable to the main hospital campus of the System. The Series 2017B Bonds are secured ratably with the Series 2012A Bonds, Term Loan Note 2019, Series 2020 Bonds, Promissory Note 2020 and any outstanding amounts on the 2013 Line of Credit.

The System is required to make annual payments to BB&T sufficient to meet the annual debt service requirements for the succeeding year. Annual sinking fund installments for the Series 2017B Bonds range from \$3,155 on July 1, 2017, to \$2,090 on July 1, 2035.

The bond agreement contains certain financial covenants, all of which the System was in compliance with as of June 30, 2020.

Term Loan Note 2019

On October 29, 2019, the System's obligated group issued a promissory note in favor of a lending institution in the amount of \$20,000. The loan matures on October 29, 2021, and bears interest at a variable rate of one month LIBOR plus 0.7%. The System incurred the loan to fund the acquisition and improvement of real estate in Frederick, Maryland and to pay associated transaction costs.

Under the provisions of the loan agreement, the System has granted a security interest in all receipts now owned and hereafter acquired. The note is also secured with a deed of trust and security agreement applicable to the main hospital campus of the System. The Term Loan Note 2019 is secured ratably with the Series 2012A Bonds, Series 2017B Bonds, Series 2020 Bonds, Promissory Note 2020 and any outstanding amounts on the 2013 Line of Credit.

The average interest rate on this loan was 2.02% for the year ended June 30, 2020.

The term loan note contains certain financial covenants, all of which the System was in compliance with as of June 30, 2020.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

9. Long-Term Debt (continued)

Promissory Note 2020

On June 25, 2020 the System's obligated group issued a promissory note in favor of a lending institution in the amount \$93,875 facilitating legal defeasance of \$86,290 of the Series 2012A MHHEFA Revenue Bonds, pay related finance costs and to fund an escrow account to provide for future Series 2012A interest and principal payments. In conjunction with the issuance of this note, MHHEFA will issue a tax exempt bond on or about July 1, 2022 in the principal amount of the remaining balance on this promissory note, in what is often referred to as a Cinderella bond. The transaction resulted in the incurrence of \$386 of deferred finance costs to be amortized over the life of the promissory note of 18 years.

The interest rate on the Promissory Note 2020 is a fixed rate of 2.32% until the tax exempt bond is issued and is payable monthly. There is no debt service reserve requirement associated with the promissory note. The carrying value of the Promissory Note 2020 approximates fair value.

Under the provisions of the loan agreement, the System has granted a security interest in all receipts now owned and hereafter acquired. The Promissory Note 2020 is also secured with a deed of trust and security agreement applicable to the main hospital campus of the System. The Promissory Note 2020 is secured ratably with the Series 2012A Bonds, Series 2017B Bonds, Bank Term Loan, the Series 2020 Bonds, and any outstanding amounts on the 2013 Line of Credit.

The promissory note contains certain financial covenants, all of which the System was in compliance with as of June 30, 2020.

Series 2020 MHHEFA Revenue Bonds

On June 25, 2020, the System obtained a loan of \$62,645 in MHHEFA Revenue Bonds, Frederick Health System Issue, Series 2020. The MHHEFA Series 2020 Bonds were issued to refund all of the outstanding MHHEFA Series 2017A Bonds, pay financing costs and to finance a portion of certain construction and equipment costs of the System.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

9. Long-Term Debt (continued)

The annual interest rate on the bond loan ranges between 3.25% and 4.00% over the term of the bonds. Interest is payable semiannually on each January 1 and July 1, through July 1, 2050.

The Series 2020 Bonds were issued with a premium of \$3,405 and resulted in the incurrence of \$877 of deferred finance costs to be amortized over the 30 year life of the bonds. The carrying value of the 2020 Bonds is \$64,155.

Series 2020 Bonds are subject to redemption prior to maturity beginning at the option of the authority at the principal amount of the Series 2020 Bonds to be redeemed plus accrued interest thereon to the date set for redemption.

Under the provisions of the bond agreement, the System has granted a security interest in all receipts now owned and hereafter acquired. The bonds are also secured with a deed of trust and security agreement applicable to the main hospital campus of the System. The Series 2020 Bonds are secured ratably with the Series 2012A Bonds, Series 2017B Bonds, Bank Term Loan, Promissory Note 2020 and any outstanding amounts on the 2013 Line of Credit.

The bond agreement contains certain financial covenants, all of which the System was in compliance with as of June 30, 2020.

Debt service requirements on long-term debt, excluding original issue premium and deferred financing costs at June 30, 2020, of \$3,405 and \$1,545, respectively, are as follows:

	<u>Principal</u>
Years ending June 30:	
2021	\$ 4,630
2022	25,840
2023	7,515
2024	6,500
2025	6,750
Thereafter	<u>179,620</u>
	<u>\$ 230,855</u>

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

9. Long-Term Debt (continued)

As a result of the refinancing of 2012A and 2017A bonds, remaining unamortized deferred finance costs of \$1,061, unamortized original issue premium of \$2,781 and escrow funding for future 2012A Bonds payments of \$7,199 resulted in \$5,479 net loss on extinguishment debt in the accompanying statements of operations and changes in net assets.

2013 Line of Credit

On September 9, 2013, the System entered into a \$20,000 revolving line of credit with a lending institution for the purpose of funding short-term working capital needs. The line of credit bears a variable interest rate of one-month LIBOR plus 1.50% per annum, adjusted and payable monthly.

Under the provisions of this revolving line of credit, the System has granted a security interest in all receipts now owned and hereafter acquired. Any outstanding amounts on this line of credit are secured with a deed of trust and security agreement applicable to the main hospital campus of the System and are secured ratably with the Series 2012A Bonds, Series 2017B Bonds, Bank Term Loan, Promissory Note 2020 and the Series 2020 Bonds. All outstanding principal and interest must be repaid on the maturity date.

This agreement contains certain financial covenants, all of which the System was in compliance with as of June 30, 2020.

This line-of-credit agreement was amended on November 4, 2015, extending the maturity date to December 1, 2017, and decreased the revolving loan commitment from \$20,000 to \$15,000. A second amendment was made on January 1, 2017 reducing the variable interest rate to one-month LIBOR plus 1.25% per annum. A third amendment was made on November 30, 2017, extending the maturity date to January 31, 2020. A fourth amendment was made on October 29, 2019 reducing the variable interest rate to one-month LIBOR plus 1.05% and extending the maturity date to January 31, 2022. The outstanding balance on this line of credit was \$0 as of June 30, 2020 and 2019, respectively.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

9. Long-Term Debt (continued)

2020 Line of Credit

On May 22, 2020, the System entered into a \$25,000 unsecured revolving line of credit with a lending institution for the purpose of funding short-term working capital needs. The line of credit bears a variable interest rate of one-month LIBOR plus 1.5% per annum, adjusted and payable monthly. All outstanding principal and interest must be repaid on the maturity date of May 21, 2021.

This agreement contains certain financial covenants, all of which the System was in compliance with as of June 30, 2020.

The outstanding balance on this line of credit was \$0 as of June 30, 2020.

10. Interest Rate Swap Contract

The System records its derivatives as assets or liabilities at fair value. A derivative is typically defined as an instrument, whose value is derived from an underlying instrument, index or rate, has a notional amount, requires little or no initial investment, and can be net settled. The System participates in an interest rate swap contract that is considered a derivative financial instrument.

The System has an interest rate swap contract with a third party with a notional amount of \$50,455 on June 30, 2020, which reduces annually by an amount equal to the sinking fund installment due on bonds until maturity on July 1, 2036. The System is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap contract. However, the System does not anticipate nonperformance by the counterparty. Under the swap contract, the System pays interest at a fixed rate of 3.0804% per annum and receives interest at a variable rate equal to 67% of the one-month LIBOR (0.1623%) as of June 30, 2020. The swap contract requires payments to be made or received monthly. The fair value of the swap contract was a liability of \$10,404 and \$8,365 at June 30, 2020 and 2019, respectively.

The System accrued net payments under its interest rate swap program of \$1,425 and \$1,202 during fiscal years 2020 and 2019, respectively. These amounts are included within realized and unrealized losses on interest rate swap contract, net, in the accompanying consolidated statements of operations and investing activities in the accompanying consolidated statements of cash flows.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

10. Interest Rate Swap Contract (continued)

The interest rate swap contract is not designated as an effective cash flow hedge. The System's objectives of entering into the interest rate swap contract include limiting or hedging variable interest rate payments to achieve lower overall borrowing costs than a comparable unhedged fixed rate borrowing, to alter the pattern of debt service payments, and to improve asset/liability matching. Changes in the fair value of the derivative financial instrument are recognized in realized and unrealized losses on interest rate swap contract, net, in the accompanying consolidated statements of operations and investing activities in the accompanying consolidated statements of cash flows. The carrying value of the System's derivative financial instrument approximates fair value. The interest rate swap contract is valued using models based on readily observable market parameters for all substantial terms of the contract.

Credit exposure associated with nonperformance by the counterparties to derivative instruments is generally limited to the uncollateralized fair value of the asset related to instruments recognized in the consolidated balance sheets. The System attempts to mitigate the risk of nonperformance by selecting counterparties with high credit ratings and monitoring their creditworthiness.

The System's derivative agreements do not contain any credit support provisions that require it to post collateral if there are declines in the derivative value or its credit rating.

Balance Sheet Location	Fair Value	
	2020	2019
Asset derivatives		
Derivatives not designated as hedging instruments:		
Interest rate contracts	\$ —	\$ —
Liability derivatives		
Interest rate swap contract	\$ 10,404	\$ 8,365
Total derivatives not designated as hedging instruments	\$ 10,404	\$ 8,365

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

10. Interest Rate Swap Contract (continued)

A summary of the effect of the non-hedging derivatives on the System's consolidated statement of operations for the year ended June 30, 2020, is as follows:

Type of Non-hedging Derivatives	Statement of Operations Location of Loss Recognized	Derivative Loss Recognized
Interest rate swap contract – realized loss	Other loss	\$ (1,425)
Interest rate swap contract – unrealized loss	Other loss	(2,039)
Total		<u>\$ (3,464)</u>

A summary of the effect of the non-hedging derivatives on the System's consolidated statement of operations for the year ended June 30, 2019, is as follows:

Type of Non-hedging Derivatives	Statement of Operations Location of Loss Recognized	Derivative Loss Recognized
Interest rate swap contract – realized loss	Other loss	\$ (1,202)
Interest rate swap contract – unrealized loss	Other loss	(1,659)
Total		<u>\$ (2,861)</u>

11. Employee Benefit Plans

The System has a defined benefit pension plan (the Plan) that was curtailed on June 30, 2007. The System uses a measurement date of June 30 to determine plan assets and benefit obligations. The curtailment is such that participants will no longer accrue benefits under the Plan and no new participants will be accepted. Current participant accounts will not receive any service credits or increases in benefits for post-curtailed compensation increases beyond June 30, 2007; however, the System will make annual contributions to the Plan in accordance with actuarially determined amounts to meet future accumulated benefit obligations under the frozen Plan.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

11. Employee Benefit Plans (continued)

Effective July 1, 2007, a modified defined contribution plan (403b) was implemented, as described below.

The following provides a reconciliation of the changes in fair value of the Plan's assets and projected benefit obligations and the Plan's funded status based on a June 30, 2020 and 2019, measurement date:

	<u>2020</u>	<u>2019</u>
Accumulated benefit obligation	<u>\$ 61,007</u>	<u>\$ 57,296</u>
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 57,296	\$ 51,808
Service cost	—	—
Interest cost	2,014	2,136
Actuarial gain	2,759	4,264
Benefits paid and other expenses	(1,062)	(912)
Settlement payments	—	—
Settlement loss (gain)	—	—
Projected benefit obligation at end of year	<u>61,007</u>	<u>57,296</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	42,922	37,333
Actual return on plan assets	(372)	2,501
Employer contribution	4,000	4,000
Benefits paid	(1,062)	(912)
Settlement payments	—	—
Fair value of plan assets at end of year	<u>45,488</u>	<u>42,922</u>
Funded status	<u>(15,519)</u>	<u>(14,373)</u>
Net amount recognized	<u>\$ (15,519)</u>	<u>\$ (14,373)</u>

The discount rate actuarial assumption was changed from 3.56% to 2.70% resulting in a \$7,337 increase in the projected benefit obligation as of June 30, 2020.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

11. Employee Benefit Plans (continued)

Net amounts recognized in net assets without donor restrictions that have not been recognized in net periodic benefit cost are as follows:

	June 30	
	2020	2019
Net actuarial loss	\$ 12,570	\$ 8,845
Prior service cost	–	29
Total recognized in unrestricted net assets	<u>\$ 12,570</u>	<u>\$ 8,874</u>

The following table sets forth the weighted average assumptions used to determine benefit obligations:

	June 30	
	2020	2019
Discount rate	2.70%	3.56%
Rate of compensation increase	N/A	N/A

The following table sets forth the weighted average assumptions used to determine net periodic benefit cost:

	Year Ended June 30	
	2020	2019
Discount rate	3.56%	4.17%
Expected return on plan assets	4.00%	3.75%
Rate of compensation increase	N/A	N/A

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

11. Employee Benefit Plans (continued)

Net periodic pension cost included the following components:

	<u>2020</u>	<u>2019</u>
Service costs	\$ —	\$ —
Interest cost	2,014	2,136
Expected return on plan assets	(1,095)	(965)
Amortization of prior service cost	30	52
Amortization of net loss	497	176
Settlement	—	—
Net periodic pension cost	<u>\$ 1,446</u>	<u>\$ 1,399</u>

The estimated net loss that is expected to be amortized from other changes in net assets without donor restrictions into net periodic benefit cost for the year ending June 30, 2021, is \$1,054.

The System determines the expected long-term rate of return on plan assets by taking into consideration the historical returns of various asset classes and the types of investments the Plan is expected to hold.

The Plan's asset allocation as of the measurement date presented as a percentage of total plan assets was as follows:

	<u>2020</u>	<u>2019</u>
Equity securities	25%	25%
Debt securities	63	63
Cash	6	—
Hedge funds	6	12
Total	<u>100%</u>	<u>100%</u>

The Plan's assets are recorded at fair value and are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

11. Employee Benefit Plans (continued)

FASB guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date, emphasizing that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the FASB establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The level inputs, as defined by FASB guidance for fair value measurements and disclosures, are as follows:

- Level 1 – Inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the System has the ability to access at the measurement date.
- Level 2 – Inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.
- Level 3 – Inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

11. Employee Benefit Plans (continued)

The System's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the assets or liabilities. The following tables present the Plan's assets and liabilities measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of June 30:

	Fair Value Measurements at Reporting Date Using			
	Fair Value at June 30 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	\$ 2,388	\$ 2,388	\$ —	\$ —
Equity securities	11,350	11,350	—	—
Fixed income mutual funds	29,056	29,056	—	—
Hedge funds and other alternative	2,694	—	—	2,694
Total assets	\$ 45,488	\$ 42,794	\$ —	\$ 2,694

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

11. Employee Benefit Plans (continued)

	Fair Value Measurements at Reporting Date Using			
	Fair Value at June 30 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	\$ 5	\$ 5	\$ —	\$ —
Equity securities	10,685	10,685	—	—
Fixed income mutual funds	27,335	27,335	—	—
Hedge funds and other alternative	4,897	—	—	4,897
Total assets	\$ 42,922	\$ 38,025	\$ —	\$ 4,897

The following table provides a reconciliation of the beginning and ending balances of items measured at fair value on a recurring basis in the previous table that used significant unobservable inputs (Level 3):

	<u>Hedge Funds</u>	<u>Total</u>
Balance at June 30, 2018	\$ 4,874	\$ 4,874
Purchases	—	—
Settlements	—	—
Gains, net	23	23
Balance at June 30, 2019	4,897	4,897
Purchases	—	—
Settlements	(2,004)	(2,004)
Losses, net	(199)	(199)
Balance at June 30, 2020	\$ 2,694	\$ 2,694

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

11. Employee Benefit Plans (continued)

The fair value of the Plan's trading securities is determined by third-party service providers utilizing various methods dependent upon the specific type of investment. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Assets utilizing Level 1 inputs include exchange-traded equity securities and equity and fixed income mutual funds. Assets utilizing Level 3 inputs are hedge funds.

The hedge funds are accounted for at fair value, which has been estimated using the net asset value per share of the fund as of June 30, 2020.

Assets of the Plan are invested in a manner consistent with fiduciary standards of the Employee Retirement Income Security Act of 1974, namely: (a) the safeguards and diversity to which a prudent investor would adhere must be present and (b) all transactions undertaken on behalf of the Plan must be for the sole interest of plan participants and beneficiaries to provide benefits in a prudent manner. Investment objectives of the Plan also include the following:

- Achieve an annualized total return that equals or exceeds the actuarial target
- Preserve the value of the Plan's assets
- Diversify assets sufficiently and, in accordance with modern portfolio theory, avoid large specific risks (losses) and minimize the volatility of the portfolio
- Provide sufficient liquidity to plan benefit payment outflows and meet the Plan's requirements

The strategic target asset allocation for the Plan is 20% in equities, 62% in fixed income securities, 10% in hedge funds, 5% real estate, and 3% in cash.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

11. Employee Benefit Plans (continued)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2021	\$	1,640
2022		1,860
2023		2,040
2024		2,200
2025		2,340
2026–2030		13,730

The System also has a tax-deferred annuity savings (403(b)) plan available to substantially all employees. In conjunction with the curtailment of the defined benefit pension plan, the System modified the 403(b) plan effective July 1, 2007. Effective January 1, 2018, the plan was amended such that all new hires will be automatically enrolled in the 403(b) plan at 3% of employee earnings, which will be automatically increased 1% annually up to 10%. Employees can opt out of this automatic enrollment and annual increase. The System will match 100% on employee contributions up to 5.0% of employee earnings. Base contributions continue for employees with 5 to 10 years of service at 0.5% and 1.0% for employees with over 10 years of service. The System's contribution for base matching and transition credits totaled \$7,999 and \$5,791 for fiscal years 2020 and 2019, respectively.

In December 2005, the System adopted two nonqualified deferred compensation plans with an effective date of December 15, 2004, for certain members of executive management. Under these plans, participating employees may contribute amounts from their compensation to the plan and may receive a discretionary employer contribution. Employees are fully vested in all employee contributions to the plans. Vesting in employer contributions occurs in accordance with the underlying plan documents. All assets of the plans are held in separate trusts. Total contributions by the System to the plans were \$568 and \$422 for the years ended June 30, 2020 and 2019, respectively.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

12. Concentration of Credit Risk

The System has funds on deposit with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation. The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors (in percentages) at June 30 was as follows:

	<u>2020</u>	<u>2019</u>
Medicare	28%	31%
Medicaid	22	19
Blue Cross	19	17
HMOs and PPOs	14	17
Commercial insurance and other third-party payors	9	7
Patients	8	9
	<u>100%</u>	<u>100%</u>

13. Functional Expenses

The System and its subsidiaries provide general health care services to residents within its geographic location. Expenses related to providing these services are as follows:

	<u>Program</u>	<u>General and Administrative</u>	<u>Total</u>
Year ended June 30, 2020			
Salaries and wages	\$ 161,942	\$ 29,792	\$ 191,734
Employee benefits	33,832	5,236	39,068
Professional fees	10,666	4,388	15,054
Cost of goods sold	72,486	139	72,625
Supplies	11,893	620	12,513
Contract services	58,178	7,923	66,101
Other	11,250	3,786	15,036
Utilities	3,868	949	4,817
Insurance	988	4,027	5,015
Depreciation	22,964	1,369	24,333
Interest	4,941	401	5,342
	<u>\$ 393,008</u>	<u>\$ 58,630</u>	<u>\$ 451,638</u>

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

13. Functional Expenses (continued)

	Program	General and Administrative	Total
Year ended June 30, 2019			
Salaries and wages	\$ 144,180	\$ 24,053	\$ 168,233
Employee benefits	31,335	4,300	35,635
Professional fees	10,258	4,335	14,593
Cost of goods sold	70,231	146	70,377
Supplies	10,913	589	11,502
Contract services	62,108	12,069	74,177
Other	10,121	3,100	13,221
Utilities	3,707	944	4,651
Insurance	921	1,842	2,763
Depreciation	21,566	1,282	22,848
Interest	5,465	382	5,847
	<u>\$ 370,805</u>	<u>\$ 53,042</u>	<u>\$ 423,847</u>

14. Net Assets

Net assets with temporary donor restrictions are available for the following purposes or periods at June 30:

	2020	2019
Health care services:		
Buildings and equipment	\$ 4,342	\$ 4,681
Restricted by time only	1,060	1,094
Education programs	871	605
Indigent care and research	428	440
	<u>\$ 6,701</u>	<u>\$ 6,820</u>

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

14. Net Assets (continued)

Net assets with permanent donor restrictions consist of investments to be held in perpetuity, the income from which is expendable for:

	<u>2020</u>	<u>2019</u>
General health care services (reported as other operating revenue)	\$ 971	\$ 971
Specific health care services (reported as net assets released from restrictions)	5	5
	<u>\$ 976</u>	<u>\$ 976</u>

During 2020 and 2019, net assets were released from donor restrictions by incurring expenses or capital expenditures satisfying the restricted purposes in the amounts of \$13,341 and \$1,220, respectively.

15. Contingencies

The System has been named as a defendant in various legal proceedings arising from the performance of its normal activities. In the opinion of management, after consultation with legal counsel and after consideration of applicable insurance, the amount of the System's ultimate liability under all current legal proceedings will not have a material adverse effect on its consolidated financial position or results of operations.

The System is partially self-insured against employee medical claims. Expenses include claims paid and a provision for claims incurred but not reported. As of June 30, 2020 and 2019, the System has recorded a liability for claims incurred but not reported of \$2,250 and \$2,027, respectively. The program has an annual aggregate stop-loss provision of \$500 per employee.

On July 1, 2011, MIL, a single-parent captive, was created to provide a flexible risk financing structure to meet the needs of the System's organization. As of June 30, 2012, MIL provided FMH with Primary Medical Professional Liability and Primary General Liability coverage with policy limits of liability of \$1,000 each and every medical incident with a \$3,000 annual aggregate for the 2011/2012 policy year and with a \$5,000 annual aggregate for the 2012/2013 policy year through to the 2017/2018 policy year. Effective for the 2018/2019 policy year, MIL provides FMH with Primary Medical Professional Liability (MPL) and Primary General Liability (GL) coverage

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

15. Contingencies (continued)

with policy limits of liability of \$1,000 per claim/per occurrence for both MPL and GL separately, with a \$4,000 aggregate for both MPL and GL combined. The Company also issued a Buffer Medical Professional Liability and General Liability policy providing limits of liability of \$1,000 each and every medical incident with a \$2,000 aggregate, for Medical Professional Liability and General Liability combined. The MIL Primary Policy coverage form is mature claims-made with a retroactive date of July 1, 2005. The policy funding is retrospectively rated.

MIL has also issued an Excess Umbrella Liability mature claims-made policy with a retroactive date of July 1, 2005. This policy is structured on a “dualtower” design. The Excess Medical Professional Liability Tower follows the form of the underlying Primary Medical Professional Liability coverage providing \$20,000 limits of liability (\$10,000 prior to July 1, 2016). The Umbrella Liability Tower provides \$20,000 limits of liability (\$10,000 prior to July 1, 2016) excess of scheduled underlying coverages. The “dualtowers” are 100% reinsured with a commercial carrier with an AM Best rating of A- or better.

Effective June 30, 2012, MIL assumed Professional Liability and Comprehensive General Liability coverage previously included under FMH’s self-insured plan, for incidents occurring between July 1, 2005 and June 30, 2011, that were reported to FMH prior to June 30, 2011. The policy provides limits of liability of \$1,000 each and every medical incident for the hospital professional liability and \$1,000 each and every medical incident for comprehensive general liability. The policy is subject to a \$3,000 annual aggregate for the hospital professional liability and comprehensive general liability combined, which applies to each covered year separately on a claims-made basis.

Effective June 30, 2012, MIL further assumed Professional Liability and Comprehensive General Liability coverage previously included under another FMH self-insurance plan, for incidents occurring between July 1, 1999 and June 30, 2001, with a limit of liability of \$100 per claim. The Primary Medical Professional and Primary General Liability policy is 100% MIL retained risk. The Excess Umbrella Liability coverage is fully reinsured with a commercial carrier with an AM Best rating of A- or better.

Effective September 1, 2017, MIL issued a Cyber Deductible Liability Policy to the System at a per claim limit of liability of \$100 and an annual aggregate limit of \$200. The policy funding is retrospectively rated.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

15. Contingencies (continued)

There are known claims and incidents that could result in the assertion of additional claims, as well as claims from unknown incidents that could be asserted arising from services provided to patients. Through MIL, a wholly owned subsidiary, the System maintains reserves, including excess coverage, in the amount of \$19,592 and \$16,042 at June 30, 2020 and 2019, respectively, and a related reinsurance receivable of \$7,218 and \$6,410 at June 30, 2020 and 2019, respectively. The System employs an independent actuary to estimate the ultimate settlement of such claims.

These reserves are recorded on an undiscounted basis at June 30, 2020 and 2019. In management's opinion, the amounts recorded provide an adequate reserve for loss contingencies. However, changes in circumstances affecting professional liability claims could cause these estimates to change by material amounts in the short term.

16. Commitments

Leases

The System leases equipment, office space and certain facilities. Included in the accompanying consolidated statements of operations and changes in net assets are lease expenses of approximately \$4,852 in 2020. The following table summarizes the components of lease expense for the years ended June 30, 2020:

Finance lease cost:	
Amortization	\$ 1,077
Interest	63
Total finance lease cost	<u>1,140</u>
Operating lease cost	3,610
Short-term lease cost	102
Variable lease cost	—
Total lease cost	<u>\$ 4,852</u>

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

16. Commitments (continued)

The following table undiscounted future operating and finance lease obligations for each of the next five years and thereafter, as of June 30, 2020, to lease obligation recorded on the consolidated balance sheets at June 30, 2020:

	Operating Leases	Finance Leases	Total
Years ended June 30:			
2021	\$ 3,607	\$ 922	\$ 4,529
2022	3,588	492	4,080
2023	3,552	492	4,044
2024	3,118	492	3,610
2025	2,932	176	3,108
Thereafter	21,552	—	21,552
Total future undiscounted lease obligations	38,349	2,574	40,923
Less: lease payment representing interest	(5,131)	(147)	(5,278)
Present value of future lease payments	33,218	2,427	35,645
Less: current portion of future lease payments	(2,676)	(918)	(3,594)
Long-term lease obligations	<u>\$ 30,542</u>	<u>\$ 1,509</u>	<u>\$ 32,051</u>

As of June 30, 2020 the System recognized \$28,414 and \$2,387 of operating and financing right of use assets, respectively. There was no right of use assets recognized as of June 30, 2019. The following table summarizes the components of operating and finance lease liabilities classified as current and noncurrent on the accompanying consolidated balance sheets as of June 30, 2020:

	Operating Leases	Finance Leases	Total
Current	\$ 2,676	\$ 918	\$ 3,594
Long-term	30,542	1,509	32,051
Total lease liabilities	<u>\$ 33,218</u>	<u>\$ 2,427</u>	<u>\$ 35,645</u>

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

16. Commitments (continued)

The following table summarizes cash flows from operating and finance leases for the year ended June 30, 2020:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows paid for operating leases	\$ 3,619
Operating cash flows paid for interest portion of finance leases	63
Financing cash flows paid for principal portion of finance leases	1,076
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	2,728
Finance leases	2,294

The weighted-average discount rates and our weighted remaining lease terms as of June 30, 2020:

Weighted-average discount rate:	
Operating leases	2.12%
Finance leases	3.02%
Weighted-average lease term:	
Operating leases	12.46
Finance leases	3.73

Workers' Compensation

The System is self-insured against workers' compensation claims, currently up to \$600 per occurrence. Excess insurance attaches at \$600 and has unlimited liability above this amount. Expenses include claims paid, reserves on known claims, and reserves on unreported claims (incurred but not reported).

Letter of Credit

The System has a letter of credit issued by a lending institution in the amount of \$1,101. This letter of credit is renewed on an annual basis and is required by the state of Maryland as collateral for unemployment benefits.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

17. Liquidity and Availability

Financial assets available for general expenditure within one year of the balance sheet date comprise the following at June 30, 2020:

Cash and cash equivalents	\$ 41,495
Patient accounts receivable, net	55,159
Promises to give, net	786
Other receivables	2,583
Investments with daily and weekly liquidity	<u>162,902</u>
Total	<u>\$ 262,925</u>

The System's most restrictive bond covenant requires the obligated group to maintain unrestricted cash and marketable securities on hand to meet 75 days of normal operating expenses, which would be approximately \$87,802 as of June 30, 2020.

18. Regulatory Environment

Medicare and Medicaid

The Medicare and Medicaid reimbursement programs represent a substantial portion of the System's revenues. The System's operations are subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse.

Over the past several years, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of fines and penalties, as well as repayments for patient services previously billed. Compliance with fraud and abuse standards and other government regulations can be subject to future government review and interpretation.

Also, future changes in federal and state reimbursement funding mechanisms and related government budgeting constraints could have an adverse effect on the System.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

18. Regulatory Environment (continued)

In 1983, Congress approved a Medicare prospective payment plan for most inpatient services as part of the Social Security Amendments Act of 1983. Hospitals in Maryland are currently exempt from these federal reimbursement regulations under a special waiver. The waiver currently in effect is subject to renewal based upon criteria defined in the federal law. Under these payment arrangements with Medicare, a retroactive adjustment could occur if certain performance standards are not attained by all hospitals on a statewide basis. The impact, if any, of any retroactive adjustment of the Medicare prospective payment system, should hospitals in Maryland become subject to such system, on future operations of the System has not been determined.

State of Maryland Health Services Cost Review Commission

Certain hospital charges are subject to review and approval by the HSCRC. Hospital management has filed the required forms with the Commission and believes the hospital to be in compliance with the Commission's requirements.

Through June 2020, the current rate of reimbursement for principally all inpatient services and certain other services to patients under the Medicare and Medicaid programs is based on an agreement between CMS and the Commission. This agreement is based upon a waiver from Medicare prospective payment system reimbursement principles granted to the state of Maryland under Section 1814(b) of the Social Security Act. As of January 2014, CMS approved a modernized waiver that will be in place as long as Maryland hospitals commit to achieving significant quality improvements, limits on all-payor per capita hospital growth, and limits on annual Medicare per capita hospital cost growth to a rate lower than the national annual per capita growth rate.

Starting in January 2019, Maryland's hospitals began operating under a new 10-year contract with the federal government entitled Maryland Total Cost of Care Model (TCOC). TCOC is designed to test whether the improvements hospitals have made under the previous modernized waiver can be expanded to all health care providers. The GBR methodology will remain in place for hospital rate setting under the TCOC model. In addition, programs aimed to measure and reduce total health care spending for attributed Medicare patients, including pre- and post-acute care by all providers, are being introduced and will be further defined in the next fiscal year.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

18. Regulatory Environment (continued)

Beginning in fiscal year 2014, the System entered into an agreement with HSCRC to participate in the GBR program. GBR methodology encourages hospitals to focus on population health strategies by establishing a fixed annual revenue cap for each GBR hospital. The agreement is evergreen in nature and covers both regulated inpatient and outpatient revenues.

Under GBR, hospital revenue is known at the beginning of each fiscal year. Annual revenue is calculated from a base year and is adjusted annually for inflation, infrastructure requirements, population changes, performance in quality-based programs, and changes in levels of uncompensated care. Revenue may also be adjusted annually for market levels and shifts of services to unregulated services.

The Commission's rate-setting methodology for hospital service centers consists of establishing an acceptable unit rate for defined inpatient and outpatient service centers within the System. The actual average unit charge for each service center is compared to the approved rate monthly and annually.

Overcharges and undercharges due to either patient volume or price variances, adjusted for penalties where applicable, are applied to decrease (in the case of overcharges) or increase (in the case of undercharges) future approved rates on an annual basis. The System was undercharged by \$17,354 and overcharged by \$117 for the years ended June 30, 2020 and 2019, respectively.

While the System is expecting the HSCRC to allow for recovery in future periods of the undercharge experienced during the year, mainly due to lower volume as the result of the COVID-19 pandemic, uncertainty exists as to the final outcome of HSCRC rate setting decision making.

The timing of HSCRC's rate adjustments for the System could result in an increase or reduction in rates due to the variances and penalties described above in a year subsequent to the year in which such items occur, and there is at least a possibility that the amounts may be material. The System's policy is to record revenue based on actual charges for services to patients in the year in which the services are performed.

HSCRC established an uncompensated care fund whereby certain hospitals are required to contribute to the fund to help cover the costs associated with uncompensated care for all Maryland hospitals equitably. The System received from the fund \$1,610 and paid into the fund \$19 for the years ended June 30, 2020 and 2019, respectively.

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

19. Subsequent Events

The System has evaluated subsequent events through October 26, 2020, the date of issuance of these consolidated financial statements. The system is unaware of any subsequent events that would require recognition or disclosure at this time except as noted below.

On July 20, 2020, the System received \$10,100 in provider relief funds authorized in the CARES Act from the U.S. Department of Health & Human Services (HHS). The System expects that these relief funds will be forgivable, but uncertainty exists as to the final outcome of the terms and conditions associated with the relief funds, however funds not used in accordance with the terms and conditions will need to be returned to the Department of Health and Human Services and are subject to audit. Furthermore, the HSCRC is proposing to reduce the System's ability to recoup undercharges from its GBR reimbursement program in future years by an amount derived from these provider relief funds, as well as the provider relief funds received in April 2020. The final outcome of the HSCRC's decisions on treatment of the undercharge resulting from the GBR revenue program and application of CARES Act funding to GBR limits is still being evaluated.

The Hospital's Board of Directors approved a plan for terminating the Defined Benefit Plan (the Plan, see Note 11) on August 26, 2020. This action will result in the eventual termination of the Plan and conversion of remaining participants' benefit interests into an annuity. The Plan termination will result in the remaining unrecognized actuarial loss of \$12,570 being amortized as a nonoperating loss over the remaining period. The termination plan is expected to take approximately 18 months to be completed.

On October 1, 2020, a new law was signed that included modifications to the CMS Accelerated and Advance Payment Program. These modifications included an extension to the previous terms discussed within Note 2. The changes in payments terms are considered a non-recognized subsequent event in accordance with ASC 855.

On October 22, 2020, HHS released additional reporting requirements for health care entities that received distributions from the Provider Relief Fund. The Post-Payment Notice of Reporting Requirements (the Notice) supplements the previous notice issued on July 20, 2020 and amended on August 14, 2020 and September 19, 2020. The System considered the effects of the changes included in the Notice and concluded these changes represent non-recognized (i.e., Type II) subsequent events in accordance with ASC 855, *Subsequent Events*, since the reporting requirements included in the Notice provide evidence about conditions that did not exist at the balance sheet date, but instead are conditions that arose after that date but before financial

Frederick Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

19. Subsequent Events (continued)

statements were issued. Based on the expectations of the revenue to be recognized through December 31, 2020, the System does not believe the new guidance will result in a material change to amounts recorded in the June 30, 2020 financial statements related to the Provider Relief Funds. The System will continue to monitor changes in reporting guidance or additional clarifications that may be issued by HHS which would affect the accounting for distributions from the Provider Relief Fund. In addition, the System will continue to monitor guidance from the HSCRC related to how the HSCRC will interpret the new HHS guidance.

Supplementary Information

Frederick Health, Inc. and Subsidiaries

Supplementary Consolidating Balance Sheet
(Dollars in Thousands)

June 30, 2020

	Frederick Health Incorporated	Frederick Health Hospital Inc Consolidated	Monocacy Insurance, Ltd.	Frederick Health Medical Group, LLC	Frederick Health Services Corporation	Frederick Integrated Healthcare Network, LLC	Frederick Health Village, LLC	Elimination	Frederick Health Incorporated Consolidated
Assets									
Current assets:									
Cash and cash equivalents	\$ 144	\$ 83,832	\$ 45	\$ 2,476	\$ 2,210	\$ 215	\$ 261	\$	\$ 89,183
Patient receivables	–	47,975	–	6,400	784	–	–	–	55,159
Other receivables	–	2,506	833	77	–	–	–	(833)	2,583
Inventory	–	7,172	–	1,196	–	–	–	–	8,368
Prepaid expenses	–	5,257	6	(23)	206	–	76	–	5,522
Assets limited as to use	–	1,499	36	–	–	–	–	–	1,535
Promises to give, net	–	786	–	–	–	–	–	–	786
Total current assets	144	149,027	920	10,126	3,200	215	337	(833)	163,136
Net property and equipment	–	236,439	–	2,610	4,296	–	19,208	–	262,553
Right of use assets	–	17,004	–	8,190	3,220	–	–	–	28,414
Other assets:									
Assets limited as to use	–	30,294	–	–	–	–	–	–	30,294
Investments – donor restricted	–	3,252	–	–	–	–	–	–	3,252
Promises to give, net	–	3,640	–	–	–	–	–	–	3,640
Long-term investments	–	172,213	17,294	–	–	–	–	–	189,507
Other investments	269,143	19,405	–	–	5,335	–	–	(285,311)	8,572
Other assets	–	12,976	7,218	–	447	–	–	(12,892)	7,749
Intercompany receivables	19,814	5,795	–	1,844	–	–	648	(28,101)	–
Total other assets	288,957	247,575	24,512	1,844	5,782	–	648	(326,304)	243,014
Total assets	\$ 289,101	\$ 650,045	\$ 25,432	\$ 22,770	\$ 16,498	\$ 215	\$ 20,193	\$ (327,137)	\$ 697,117

Frederick Health, Inc. and Subsidiaries

Supplementary Consolidating Balance Sheet (continued)
(Dollars in Thousands)

June 30, 2020

	Frederick Health Incorporated	Frederick Health Hospital Inc Consolidated	Monocacy Insurance, Ltd.	Frederick Health Medical Group, LLC	Frederick Health Services Corporation	Frederick Integrated Healthcare Network, LLC	Frederick Health Village, LLC	Elimination	Frederick Health Incorporated Consolidated
Liabilities and net assets									
Current liabilities:									
Current maturities of long-term debt	\$	\$ 4,630	\$	\$	\$	\$	\$	\$	\$ 4,630
Accounts payable	–	26,309	–	296	23	154	379	(833)	26,328
Accrued expenses	–	22,793	64	6,593	465	–	–	–	29,915
Advances from third-party payors	–	67,736	–	–	–	–	–	–	67,736
Loans payable, affiliates	–	–	–	–	2,385	–	–	(2,385)	–
Leases, current	–	2,182	–	356	138	–	–	–	2,676
Other current liabilities	–	3,200	9,131	1,812	–	–	–	(9,120)	5,023
Total current liabilities	–	126,850	9,195	9,057	3,011	154	379	(12,338)	136,308
Long-term liabilities, net of current portion:									
Long-term debt	20,000	208,085	–	–	–	–	–	–	228,085
Interest rate swap contract	–	10,404	–	–	–	–	–	–	10,404
Accrued pension expense	–	15,519	–	–	–	–	–	–	15,519
Other long-term liabilities	–	7,472	16,117	–	1,406	–	–	(1,387)	23,608
Leases, long term	–	19,118	–	8,246	3,178	–	–	–	30,542
Intercompany liabilities	120	795	–	5,467	1,844	61	19,814	(28,101)	–
Total long-term liabilities, net of current portion	20,120	261,393	16,117	13,713	6,428	61	19,814	(29,488)	308,158
Total liabilities	20,120	388,243	25,312	22,770	9,439	215	20,193	(41,826)	444,466
Net assets:									
Without donor restrictions	268,981	254,125	120	–	7,059	–	–	(285,311)	244,974
With donor restrictions	–	7,677	–	–	–	–	–	–	7,677
Total net assets	268,981	261,802	120	–	7,059	–	–	(285,311)	252,651
Total liabilities and net assets	\$ 289,101	\$ 650,045	\$ 25,432	\$ 22,770	\$ 16,498	\$ 215	\$ 20,193	\$ (327,137)	\$ 697,117

Frederick Health, Inc. and Subsidiaries

Supplementary Consolidating Statement of Operations and Changes In Net Assets (Dollars in Thousands)

Year Ended June 30, 2020

	Frederick Health Incorporated	Frederick Health Hospital Inc Consolidated	Monocacy Insurance, Ltd.	Frederick Health Medical Group, LLC	Frederick Health Services Corporation	Frederick Integrated Healthcare Network, LLC	Frederick Health Village, LLC	Elimination	Frederick Health Incorporated Consolidated
Net patient service revenue	\$	\$ 357,118	\$	\$ 62,632	\$ 5,024	\$	\$	\$ (307)	\$ 424,467
Other		20,465	3,400	3,739	2,503	715	1,686	(7,247)	25,261
Total unrestricted revenues	-	377,583	3,400	66,371	7,527	715	1,686	(7,554)	449,728
Operating expenses:									
Salaries and contract labor	-	149,285	-	36,655	4,376	1,418	-	-	191,734
Employee benefits	-	31,625	-	6,468	869	298	-	(192)	39,068
Professional fees	-	15,335	151	73	75	166	-	(746)	15,054
Cost of goods sold	-	37,287	-	34,581	757	-	-	-	72,625
Supplies	-	11,827	-	650	-	5	63	(32)	12,513
Contract services	-	63,090	-	2,898	552	130	497	(1,066)	66,101
Other	-	11,833	83	3,663	1,013	6	556	(2,118)	15,036
Utilities	-	4,383	-	137	115	22	160	-	4,817
Insurance	-	3,731	3,683	878	52	-	71	(3,400)	5,015
Depreciation and amortization	-	23,107	-	434	286	-	506	-	24,333
Interest	-	5,012	-	-	166	-	330	(166)	5,342
Total operating expenses	-	356,515	3,917	86,437	8,261	2,045	2,183	(7,720)	451,638
Income (loss) from operations	-	21,068	(517)	(20,066)	(734)	(1,330)	(497)	166	(1,910)
Other (loss) income, net:									
Gain (loss) on sale of assets	-	14	-	(39)	(2)	-	-	-	(27)
Loss on extinguishment of debt	-	(5,479)	-	-	-	-	-	-	(5,479)
Investment (gain) loss, net	(6,834)	3,905	45	2	1,183	-	-	6,668	4,969
Change in unrealized gains on trading securities, net	-	2,688	472	-	-	-	-	-	3,160
Realized and unrealized losses on interest rate swap contract, net	-	(3,464)	-	-	-	-	-	-	(3,464)
Periodic pension expense	-	(1,272)	-	(174)	-	-	-	-	(1,446)
Other nonoperating gains, net	-	-	-	-	35	-	-	-	35
Total other (loss) income, net	(6,834)	(3,608)	517	(211)	1,216	-	-	6,668	(2,252)
(Deficit) excess of revenue over expenses	(6,834)	17,460	-	(20,277)	482	(1,330)	(497)	6,834	(4,162)

Frederick Health, Inc. and Subsidiaries

Supplementary Consolidating Statement of Operations and Changes In Net Assets (continued)
(Dollars in Thousands)

Year Ended June 30, 2020

	Frederick Health Incorporated	Frederick Health Hospital Inc Consolidated	Monocacy Insurance, Ltd.	Frederick Health Medical Group, LLC	Frederick Health Services Corporation	Frederick Integrated Healthcare Network, LLC	Frederick Health Village, LLC	Elimination	Frederick Health Incorporated Consolidated
Other changes in net assets without donor restrictions:									
Pension adjustment	\$ -	\$ (3,696)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,696)
Other changes in unrestricted net assets*	-	(22,112)	-	20,277	13	1,330	497	-	5
Released from restriction used to purchase capital	-	1,138	-	-	-	-	-	-	1,138
Total other changes in net assets without donor restrictions	-	(24,670)	-	20,277	13	1,330	497	-	(2,553)
Increase (decrease) in net assets without donor restrictions	(6,834)	(7,210)	-	-	495	-	-	6,834	(6,715)
Net assets with donor restrictions:									
Released from restriction used to purchase capital	-	(1,138)	-	-	-	-	-	-	(1,138)
Assets released from restrictions	-	(10,706)	(1,497)	-	-	-	-	-	(12,203)
Restricted gifts, bequests and contributions	-	11,725	1,497	-	-	-	-	-	13,222
Decrease in net assets with donor restrictions	-	(119)	-	-	-	-	-	-	(119)
Increase (decrease) in net assets	(6,834)	(7,329)	-	-	495	-	-	6,834	(6,834)
Net assets, beginning of year	275,815	269,131	120	-	6,564	-	-	(292,145)	259,485
Net assets, end of year	\$ 268,981	\$ 261,802	\$ 120	\$ -	\$ 7,059	\$ -	\$ -	\$ (285,311)	\$ 252,651

*Includes the board resolution to cancel intercompany liabilities exceeding subsidiaries' net asset:

Frederick Health, Inc. Obligated Group

Supplementary Combining Balance Sheet (Dollars in Thousands)

June 30, 2020

	Frederick Health Incorporated	Frederick Health Hospital Incorporated	Frederick Health Medical Group, LLC	Elimination	Frederick Health Obligated Group
Assets					
Current assets:					
Cash and cash equivalents	\$ 144	\$ 82,863	\$ 2,476	\$ –	\$ 85,483
Patient receivables	–	47,973	6,400	–	54,373
Other receivables	–	2,506	77	–	2,583
Inventory	–	7,172	1,196	–	8,368
Prepaid expenses	–	5,257	(23)	–	5,234
Assets limited as to use	–	1,499	–	–	1,499
Promises to give, net	–	786	–	–	786
Total current assets	144	148,056	10,126	–	158,326
Net property and equipment	–	235,814	2,610	–	238,424
Right of use assets	–	17,004	8,190	–	25,194
Other assets:					
Assets limited as to use	–	30,294	–	–	30,294
Investments – donor restricted	–	3,252	–	–	3,252
Promises to give, net	–	3,640	–	–	3,640
Long-term investments	–	166,075	–	–	166,075
Other investments	269,143	27,259	–	(278,132)	18,270
Other assets	–	12,976	–	–	12,976
Intercompany receivables	19,814	5,648	1,844	(5,467)	21,839
Total other assets	288,957	249,144	1,844	(283,599)	256,346
Total assets	\$ 289,101	\$ 650,018	\$ 22,770	\$ (283,599)	\$ 678,290

The Obligated Group consists of Frederick Health Inc., Frederick Health Hospital Inc., and Frederick Health Medical Group, LLC and the financial statements presented for the Obligated Group includes only their accounts, which includes their investment interest in controlled, affiliated entities, but does not include in the revenues, expenses, assets or liabilities of the Obligated Group the revenues, expenses, assets, or liabilities of any of those controlled, affiliated entities.

Frederick Health, Inc. Obligated Group

Supplementary Combining Balance Sheet (continued) (Dollars in Thousands)

June 30, 2020

	Frederick Health Incorporated	Frederick Health Hospital Incorporated	Frederick Health Medical Group, LLC	Elimination	Frederick Health Obligated Group
Liabilities and net assets					
Current liabilities:					
Current maturities of long-term debt	\$ —	\$ 4,630	\$ —	\$ —	\$ 4,630
Accounts payable	—	26,297	296	—	26,593
Accrued expenses	—	22,778	6,593	—	29,371
Advances from third-party payors	—	67,736	—	—	67,736
Loans payable, affiliates	—	—	—	—	—
Leases, current	—	2,182	356	—	2,538
Other current liabilities	—	3,200	1,812	—	5,012
Total current liabilities	—	126,823	9,057	—	135,880
Long-term liabilities, net of current portion:					
Long-term debt	20,000	208,085	—	—	228,085
Interest rate swap contract	—	10,404	—	—	10,404
Accrued pension expense	—	15,519	—	—	15,519
Other long-term liabilities	—	7,472	—	—	7,472
Leases, long term	—	19,118	8,246	—	27,364
Intercompany liabilities	120	795	5,467	(5,467)	915
Total long-term liabilities, net of current portion	20,120	261,393	13,713	(5,467)	289,759
Total liabilities	20,120	388,216	22,770	(5,467)	425,639
Net assets:					
Without donor restrictions	268,981	254,125	—	(278,132)	244,974
With donor restrictions	—	7,677	—	—	7,677
Total net assets	268,981	261,802	—	(278,132)	252,651
Total liabilities and net assets	\$ 289,101	\$ 650,018	\$ 22,770	\$ (283,599)	\$ 678,290

The Obligated Group consists of Frederick Health Inc., Frederick Health Hospital Inc., and Frederick Health Medical Group, LLC and the financial statements presented for the Obligated Group includes only their accounts, which includes their investment interest in controlled, affiliated entities, but does not include in the revenues, expenses, assets or liabilities of the Obligated Group the revenues, expenses, assets, or liabilities of any of those controlled, affiliated entities.

Frederick Health, Inc. Obligated Group

Supplementary Combining Statement of Operations
and Changes In Net Assets
(Dollars in Thousands)

Year Ended June 30, 2020

	Frederick Health Incorporated	Frederick Health Hospital Incorporated	Frederick Health Medical Group, LLC	Elimination	Frederick Health Obligated Group
Net patient service revenue	\$ —	\$ 356,740	\$ 62,632	\$ —	\$ 419,372
Other	—	17,650	3,739	(3,234)	18,155
Total unrestricted revenues	—	374,390	66,371	(3,234)	437,527
Operating expenses:					
Salaries and contract labor	—	149,285	36,655	—	185,940
Employee benefits	—	31,625	6,468	—	38,093
Professional fees	—	15,324	73	(746)	14,651
Cost of goods sold	—	37,283	34,581	—	71,864
Supplies	—	11,733	650	—	12,383
Contract services	—	62,084	2,898	(798)	64,184
Other	—	11,608	3,663	(1,690)	13,581
Utilities	—	4,369	137	—	4,506
Insurance	—	3,731	878	—	4,609
Depreciation and amortization	—	23,049	434	—	23,483
Interest	—	5,012	—	—	5,012
Total operating expenses	—	355,103	86,437	(3,234)	438,306
Operating income (loss)	—	19,287	(20,066)	—	(779)
Other income, net:					
Gain (loss) on sale of assets	—	14	(39)	—	(25)
Loss on extinguishment of debt	—	(5,479)	—	—	(5,479)
Investment (loss) gain, net	(6,834)	5,655	2	7,329	6,152
Change in unrealized losses on trading securities, net	—	2,716	—	—	2,716
Realized and unrealized losses on interest rate swap contract, net	—	(3,464)	—	—	(3,464)
Periodic pension expense	—	(1,272)	(174)	—	(1,446)
Other nonoperating income (loss)	—	—	—	—	—
Total other income, net	(6,834)	(1,830)	(211)	7,329	(1,546)
(Deficit) excess of revenue over expenses	(6,834)	17,457	(20,277)	7,329	(2,325)

Continued on page 72.

Frederick Health, Inc. Obligated Group

Supplementary Combining Statement of Operations
and Changes In Net Assets (continued)
(Dollars in Thousands)

Year Ended June 30, 2020

	Frederick Health Incorporated	Frederick Health Hospital Incorporated	Frederick Health Medical Group, LLC	Elimination	Frederick Health Obligated Group
(Deficit) excess of revenue over expenses (from previous page)	\$ (6,834)	\$ 17,457	\$ (20,277)	\$ 7,329	\$ (2,325)
Other changes in net assets without donor restrictions:					
Pension adjustment	–	(3,696)	–	–	(3,696)
Other changes in unrestricted net assets*	–	(22,109)	20,277	–	(1,832)
Released from restriction used to purchase capital	–	1,138	–	–	1,138
Total other changes in net assets without donor restrictions	–	(24,667)	20,277	–	(4,390)
Increase (decrease) in net assets without donor restrictions	(6,834)	(7,210)	–	7,329	(6,715)
Net assets with donor restrictions:					
Released from restriction used to purchase capital	–	(1,138)	–	–	(1,138)
Assets released from restrictions	–	(12,203)	–	–	(12,203)
Restricted gifts, bequests and contributions	–	13,222	–	–	13,222
Decrease in net assets with donor restrictions	–	(119)	–	–	(119)
Increase (decrease) in net assets	(6,834)	(7,329)	–	7,329	(6,834)
Net assets, beginning of year	275,815	269,131	–	(285,461)	259,485
Net assets, end of year	<u>\$ 268,981</u>	<u>\$ 261,802</u>	<u>\$ –</u>	<u>\$ (278,132)</u>	<u>\$ 252,651</u>

*Includes the board resolution to cancel intercompany liabilities exceeding subsidiaries' net assets.

The Obligated Group consists of Frederick Health Inc., Frederick Health Hospital Inc., and Frederick Health Medical Group, LLC and the financial statements presented for the Obligated Group includes only their accounts, which includes their investment interest in controlled, affiliated entities, but does not include in the revenues, expenses, assets or liabilities of the Obligated Group the revenues, expenses, assets, or liabilities of any of those controlled, affiliated entities.

Frederick Health, Inc. Obligated Group

Combined Statement of Cash Flows

(In Thousands)

Year Ended June 30, 2020

Operating activities

Changes in net assets	\$ (6,834)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Loss on extinguishment of debt	5,479
Depreciation of property and equipment	23,483
Amortization of original issue discount, premium, and bond issue costs	(69)
Gains on joint ventures and Premier noncash component	(2,302)
Loss on sale of property and equipment	26
Change in unrealized gains on trading securities, net	(2,716)
Proceeds from realized gains on investments – trading	(3,937)
Increase in investments – trading	(2,754)
Proceeds from restricted contributions	(195)
Realized and unrealized losses in interest rate swap, net	3,464
Changes in operating assets and liabilities:	
Receivables, patient, and other	(5,984)
Other assets	1,748
Inventories and prepaids	(4,832)
Pledges receivable	313
Accounts payable	3,839
Accrued expenses	3,930
Accrued pension expense	1,146
Advances from third-party payors	60,014
Intercompany receivable, net	(20,688)
Other short-term liabilities	1,170
Other long-term liabilities	1,671
Net cash provided by operating activities	<u>55,972</u>

Investing activities

Decrease in assets limited as to use, non-trading, net	8,957
Realized losses on interest rate swap contract	(1,425)
Increase in other investments	–
Purchases of property and equipment	(31,748)
Net proceeds from sale of assets	–
Net cash used in investing activities	<u>(24,216)</u>

Frederick Health, Inc. Obligated Group

Combined Statement of Cash Flows (continued)
(In Thousands)

Year Ended June 30, 2020

Fundraising and financing activities	
Proceeds from restricted contributions	\$ 195
Repayments of long-term debt	(116,600)
Proceeds from borrowings	179,925
Payments for finance and capital leases	(1,000)
Escrow funds used to retire debt	(7,199)
Deferred financing costs paid	(1,212)
Net cash provided by fundraising and financing activities	<u>54,109</u>
Net increase in cash, cash equivalents, and restricted cash	85,865
Cash, cash equivalents, and restricted cash at the beginning of the year	<u>29,285</u>
Cash, cash equivalents, and restricted cash at the end of the year	<u><u>\$ 115,150</u></u>
Cash and cash equivalents	\$ 85,483
Restricted cash, included in assets limited as to use	<u>29,667</u>
	<u><u>\$ 115,150</u></u>
Supplemental disclosures	
Cash paid for interest	<u><u>\$ 5,762</u></u>

The Obligated Group consists of Frederick Health Inc., Frederick Health Hospital Inc., and Frederick Health Medical Group, LLC and the financial statements presented for the Obligated Group includes only their accounts, which includes their investment interest in controlled, affiliated entities, but does not include in the revenues, expenses, assets or liabilities of the Obligated Group the revenues, expenses, assets, or liabilities of any of those controlled, affiliated entities.

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